

# THE TRADE OF THE UNITED STATES WITH CHINA

BY  
SHÜ-LUN PAN, M.B.A., Ph.D.



CHINA TRADE BUREAU, INC.,  
New York.

0579689

# THE TRADE OF THE UNITED STATES WITH CHINA

BY

SHÜ-LUN PAN, M.B.A., Ph.D.



CHINA TRADE BUREAU, INC.,  
New York.





117  
3120  
-P3  
1924 a

COPYRIGHT, 1924  
BY  
CHINA TRADE BUREAU, INC.,  
New York.

Printed in the United States of America.

107

**Dedicated**  
TO THE MEMORY OF THE LATE  
KAN CHIU-NAM  
1872—1923

A pioneer of modern industry in China and a firm believer  
in Chinese-American commerce and cooperation,  
whose moral encouragement and financial  
support made this study possible  
in the United States  
of America

and to

KAN SAT-HING  
upon whose shoulders the mantle of his illustrious  
father has descended.



## FOREWORD

It is with great pleasure that I accede to the request of Dr. Pan to write a few words of introduction to his very excellent book. In China we have one of the oldest and one of the greatest civilizations—a civilization which from the point of view of literature, of art, and of æsthetics is in many respects superior to ours, a civilization which in some ways has taught the world what really is the worth of life. Yet China is now faced by the stupendous problem of rejuvenation, of making herself young again. Because she has failed in one particular, namely in her effort to utilize the powers of nature and in the command of science over nature, China is still in the position in which Europe was a few centuries ago.

The transformation of industry and the application of science to economic conditions in the western world have brought about a revolution not alone in the foundations of life, but all the way up to the very top of the pinnacle. Now we see the growing pains of a youthful China. If China is wise, it will perhaps discover a short cut to the solution which is awaiting the East and West alike. After all we are not much more than a century ahead of China, and perhaps in a great part of the world not more than half a century ahead. In Germany the industrial revolution took place only fifty years ago; in Japan it began only a generation ago; in parts of the United States the transition is going on even at present; so perhaps when history is being written one thousand years from now we shall find that China was



only a little behind the rest of the world and that perhaps it will by then have even surpassed the rest of the world.

This development will naturally mean great changes in the future foreign trade of China. Dr. Pan has given us a painstaking and accurate account of its rise and development. Perhaps his most helpful contribution consists in the detailed story of each of the most important exports of China to the United States and of the use and distribution of the more significant articles of import from the United States. Singularly interesting are the account of American commercial policy and the story of the comparative failure of the recent banking consortium. Stimulating above all is the last chapter in which the interdependence of these two great empires, China and America, is analyzed and illumined and in which a sober and scientific appeal is made to the government and the people of the United States to do their share in making mutual cooperation possible.

Edwin R. A. Seligman,  
*McVickar Professor of Political  
Economy, Columbia University.*

## INTRODUCTION

It is with great pleasure that I accept the invitation of Nanyang Brothers, Inc., to write a few introductory words to the scholarly treatise on "The Trade of the United States with China," written by Mr. Shü-lun Pan, one of the scholarship students of the Nanyang Brothers Tobacco Company of China.

It has seemed to me for many years that more intimate intercourse of all kinds should be developed between China, the great republic of the East, and the United States, the great republic of the West. No other factor can tend more strongly in this direction than the preparation of treatises on subjects of common interest to the two countries, prepared by qualified scientific representatives of one of these countries, working in hearty cooperation with one of the great universities of the other country and with the assistance of their scholars and business men. It is of especial importance at the present time that questions of business and trade be given particular prominence.

My own first personal connection with China came indirectly through the initiative of the Chinese Government in requesting the Government of the United States to give whatever assistance might be practicable toward the establishment of a gold monetary standard in China. The request originated on the one side from the growing desire of Chinese business men and of the Chinese Government for closer trade relations with the Western world. On the part of the United States it arose from the recognition of the fact that if a gold standard could be established, it would both greatly stimulate the trade and promote the friendly relations in politics between the two countries.

Although it was not found practicable for the Chinese Government at that time (1903 and 1904) to carry out its



purpose, nevertheless the influence of the effort has been strongly marked in various ways since that date. In many other aspects of international life, there have grown up steadily increasing relationships between the two countries. During later years the growth of commerce between the two countries has been characterized by the strengthening of the natural community of interests between them, as shown by the interchange of goods, and particularly perhaps by the rapidly increasing investments of the United States in China. This is true not only in the trading field but also in banking and manufacturing.

These relationships, while marked by the reasonable business desire for mutual profit, have been accompanied by other motives. In the minds of the American people and of the American Government there has existed the feeling that our trade with the peoples of the Far East should be carried on with no purpose on our part of territorial aggrandizement or of any other means of exerting a selfish political interest. We have believed that a policy of friendship and fair treatment based on our enlightened self-interest and not upon one-sided selfish advantage would be in the long run the wisest policy.

The strengthening of this intercourse has doubtless served on the whole to promote greater respect on the side of both peoples for the admirable qualities of the other; and, in spite of occasional unfortunate misunderstandings, the friendliest of feelings have been promoted.

In my own earlier relations with the Chinese, I thought that I noticed certain likenesses of character and personal qualities between the two peoples that would normally further their mutual respect and friendship. The same characteristics I have often heard emphasized by other people of both nations better qualified by experience and long observation than I. The habit of individual initiative on which Americans often pride themselves is equally characteristic in many respects of the Chinese. One notices this

even among the servants, most of whom desire to be given a task and allowed to think out their own way of performing it. So also the native American ideal of fair dealing, even though characterized by shrewdness, has long been known as a prime characteristic of the Chinese business man. Moreover, as a foreigner's knowledge of the Chinese and of Chinese culture increases, the greater becomes his respect for the artistic qualities of the Chinese, for their love of learning, and for their practical common-sense as well as the lofty idealism of their moral characteristics. One feels that while we may have much to give in the way of technical knowledge, or modern methods of trade on a large scale, and of the use of capital, we have opportunities for receiving knowledge and benefits no less important than those we give.

Since the revolution in China in 1911, and perhaps especially dating from the Great War of 1914-1918, there have been various new conditions affecting deeply the relations between the two countries. China's governmental difficulties have left her political situation chaotic, so much so that at the present time our intercourse with China has been very greatly hampered and we are finding ourselves compelled to look for measures of relief.

Again, the increasing extent of American vested interests in China, the loans that we have made to the central government, to the provincial governments and to private business, our investments in banks and industries, and perhaps even more the extent to which our missionary enterprises have expanded, have all led us to feel that internal disorder would so jeopardize our interests that it would be likely to interfere seriously with our good relations. Chinese "politics," in the derogatory sense in which that word is sometimes used both in China and the United States, on account of delinquencies of individual politicians, have seriously interfered with good trade and good feeling. In consequence, the injury done to our material interests has



led our people to adopt an attitude that appears at times less idealistic and even perhaps less sympathetic toward China and her needs, because these practical problems are pressing both our business men and our Government for a solution. We are continually feeling the urgency of the need for relief. Many people who perhaps are not so far-sighted or so patient as they should be, become inclined at times to listen to the suggestions, more or less direct, of our adopting what we have been in the habit of characterizing as "the grab policy" of other nations. My own feeling, however, is that the more thoughtful, the more far-sighted American have implicit faith that if the Chinese people are not too seriously interfered with, but are given the opportunity of working out their own problems without too much pressure from the outside, the sound judgment and honorable instincts of the Chinese people, as well as their practical vision, will lead them themselves gradually to purge the country of its grossest evil doers and thus to promote in the not too distant future better and more harmonious relations.

Momentous changes in China's international outlook seem to be indicated by the economic revolution in China's own relations to the world. In this treatise is demonstrated the fact that the trade currents are distinctly changing. Relatively speaking, the exports of Chinese luxuries are lessening, while the exports of the great staples of world industry such as raw cotton, silk, vegetable oils, wool, not to mention antimony, hides and skins, etc., are increasing. China is, of course, a great reservoir of raw material, not only in these fields but also in coal and iron ore. Apparently, also, the country is rather rapidly becoming organized along industrial lines. The growth of the cotton textile industry is a noteworthy indication of what we may anticipate in the near future.

The studies of so many able Chinese in foreign countries along engineering, industrial and banking lines, as well as in the fields of philosophy and government, are beginning

to show a strong influence. There is every reason to believe that as this influence rapidly strengthens, as it certainly will in the near future, we shall find in China a stronger determination on the part of her citizens to shape her destiny themselves. In previous decades they have been largely subjected to international dictation. If they can make themselves more nearly independent financially, they will achieve a greater degree of political independence. It is, beyond any question, the desire and hope, and in many instances even the determination, of many of China's ablest thinkers to build up for their country a great economic position in the world, believing that in this way they can most safely and most certainly become the arbiters of their own destiny along political and social lines. If this work is carried on wisely and temperately—not with any idea of hostility toward foreigners but with the idea of independent, fair cooperation for mutual interests—Americans will be ready to welcome that attitude. This work of mutual cooperation and mutual respect can in no way be better furthered than by such studies on both sides, carried out in the spirit of accurate, scholarly, and friendly cooperation shown in the preparation of this book.

Jeremiah W. Jenks,  
*Research Professor of Government  
 and Public Administration; Director  
 of the Division of Oriental Commerce  
 and Politics, New York University.*



## AUTHOR'S PREFACE

In this treatise an attempt is made to discuss rather fully the economic forces underlying the origination, expansion, decline, and revival of the trade of the United States with China during the last hundred and fifty years. This discussion is based largely upon historical facts and statistical data now available from both Chinese and American sources and deals only slightly with current business practices. The author has endeavored to interpret the future trend of Chinese-American trade in the light of the past as well as to express his opinions regarding constructive measures that may help to increase the trade of the two great republics bordering on the Pacific to their mutual benefit.

In the preparation of this treatise, the author desires to make grateful acknowledgment of his indebtedness to Professors Edwin R. A. Seligman, Wesley C. Mitchell, Theodore H. Brown, of Columbia University; Professor Charles Hodges, Assistant Director of the Division of Oriental Commerce and Politics, New York University; Mr. Ernest K. Moy, Director of China Trade Bureau; and Mr. Alfred S. Lee, Secretary of Nanyang Brothers, Inc., New York; all of whom read the whole or a part of the manuscript, made many invaluable criticisms and suggested many important corrections.

The author is also under heavy obligations to Mr. Tsze E. Pun, Vice-President and General Manager of Nanyang Brothers, Inc., for making all the necessary arrangements in connection with the publication of this book.

Shü-lun Pan.

Columbia University,  
City of New York,  
May, 1924.

## TABLE OF CONTENTS

FOREWORD, BY PROFESSOR EDWIN R. A. SELIGMAN.....	v
INTRODUCTION, BY PROFESSOR JEREMIAH W. JENKS.....	vii
AUTHOR'S PREFACE.....	xii

### PART I

#### HISTORICAL SKETCH

##### CHAPTER I

	PAGE
The Period of Informal or Non-Treaty Intercourse, 1784-1844..	3

##### CHAPTER II

The Period of Temporary Expansion and Steady Decline, 1845-1894 .....	20
---	----

##### CHAPTER III

The Period of Disturbances and Severe Competition, 1895-1913.	44
---	----

##### CHAPTER IV

The Period of Rapid Expansion, 1914-1922.....	71
---	----

##### CHAPTER V

The Period of Rapid Expansion (continued).....	97
--	----

### PART II

#### SOME IMPORTANT AMERICAN IMPORTS FROM CHINA

##### CHAPTER VI

Tea .....	123
-----------	-----

##### CHAPTER VII

Silk .....	141
------------	-----

##### CHAPTER VIII

Vegetable Oils, Cotton Manufactures.....	164
--	-----

##### CHAPTER IX

Other Important Commodities.....	179
----------------------------------	-----



## CONTENTS

## PART III

## SOME IMPORTANT AMERICAN EXPORTS TO CHINA

## CHAPTER X

	PAGE
Cotton Goods.....	205

## CHAPTER XI

Mineral Oils.....	225
-------------------	-----

## CHAPTER XII

Tobacco .....	236
---------------	-----

## CHAPTER XIII

Wood and Wood Manufactures.....	244
---------------------------------	-----

## CHAPTER XIV

Industrial Machinery and Equipment.....	248
---	-----

## PART IV

## AMERICAN COMMERCIAL POLICIES AND INTERESTS IN CHINA

## CHAPTER XV

American Commercial Policies in, and Commercial Treaties with, China .....	269
---	-----

## CHAPTER XVI

American Investments in China.....	298
------------------------------------	-----

## CHAPTER XVII

American Banking Interests in China.....	323
--	-----

## CHAPTER XVIII

Summary and Conclusion.....	329
-----------------------------	-----

Index.....	357-365
------------	---------

## TABLES

	PAGE
1. Trade Between the United States and China, 1810-1844.....	15
2. American Trade with China, 1845-60.....	22
3. Trade of the United States with China and Hongkong, 1861-1894 .....	32
4. Trade of the United States with China in terms of the Silver Haikwan Taels, 1871-94.....	37
5. Composition of American Trade with China, 1870-90.....	42
6. Balances of American Trade with China and Hongkong and Net Specie Shipments Thereto, 1871-94.....	43
7. Value of American Imports from and Exports to China and Hongkong, 1895-1913 .....	48
8. Distribution of the Foreign Trade of China to the Follow- ing Countries in Percentages, 1896-1913.....	49
9. Percentages of Total Values of Imports from and Exports to the Oriental Countries Computed on the Total Values of Imports and Exports of the United States as Bases, 1895-1913 .....	50
10. Composition of American Exports to China, Including Leased Territories, 1895-1913.....	59-60
11. Composition of American Exports from China, Including Leased Territories, 1895-1913.....	65-66
12. Balance of Trade Between the United States and China, Including Hongkong, 1895-1913.....	69
13. Value of Net Exports of Gold and Silver Coin and Bullion from the United States to China and Hongkong, 1895-1913	70
14. Value of American Trade with China, 1913-1922.....	74-75
15. Statistics Showing the Real Increase of the Volume of American Imports from China, 1913-1923.....	80
16. Statistics Showing the Real Increase of the Volume of American Exports to China, 1913-1922.....	82
17. Percentages of Total Values of Imports from and Exports to the Oriental Countries, Computed on the Total Values of Imports and Exports of the United States as Bases, 1913-1922 .....	84
18. Distribution of China's Foreign Trade by Countries in Percentages, 1913-1922 .....	85
19. Comparative Shares of the United States, Japan, and Great Britain in the Foreign Trade of China, before, during, and after the European War, 1909-1922.....	88-89
20. Foreign Residents in China, 1913-1922.....	92
21. Foreign Firms in China, 1913-1922.....	93



	PAGE
22. Composition of American Imports from China, Including Leased Territories, 1914-22.....	100-101
23. Composition of American Exports to China, Including Leased Territories, 1914-22.....	110-111
24. Balance of American Trade with China, 1913-22.....	114
25. Average Rate of Exchange, 1913-1922.....	116
26. American Exports and Imports of Gold and Silver Coins and Bullion to and from China and Hongkong, 1913-1922....	119
27. Proportion of Tea Imports to the Total American Imports from China, 1821-1860.....	125
28. Distribution of American Tea Trade, 1865-1894.....	128
29. Distribution of American Tea Imports by Countries in Quinquennial Averages in 1,000 Lbs. and Percentages, 1895-1922 .....	130
30. Proportion of Silk Imports to the Total American Imports from China, 1823-1913.....	143
31. Proportion of Silk Textiles to the Total American Imports from China, 1913-1922.....	145
32. Proportion of Raw Silk to the Total American Imports from China, 1840-64.....	145
33. Percentage Distribution of the Raw Silk Imports of the United States to China and Japan, 1865-1884.....	146
34. American Imports of Raw Silk by Countries, 1885-1922....	152
35. Quantity Distribution of American Silk Imports in Percentages, 1885-1922 .....	153
36. American Imports of Waste Silk from China, 1895-1922..	162
37. American Imports of Vegetable Oils, 1913-22.....	165
38. American Imports of Vegetable Oils from China, 1886-1922	166
39. Distribution of American Vegetable Oil Imports, 1918-1922.	167
40. American Imports of Soya Bean Oil, 1913-1922.....	170
41. American Imports of Chinese Wood Oils, 1913-1922.....	172
42. American Imports of Peanut Oil, 1913-1922.....	174
43. American Imports of Cotton Manufactures from China, 1914-1922 .....	177
44. American Wool Imports from China, 1891-1922.....	180
45. American Wool Imports from China, Classified, 1909-1922..	181
46. American Imports of Carpets and Rugs from China, 1905-1922 .....	186
47. Quantity and Value of Human Hair and Its Product Imported from China to the United States, 1913-1923.....	189
48. Quantity and Value of Bristles and Other Animal Hairs Imported from China to the United States, 1894-1922.....	191
49. United States Imports of Bristles, 1913-1922.....	192
50. American Imports of Hides and Skins from China, 1891-1922	195

	PAGE
51. China's Share in American Imports of Hides and Skins, 1911-1912 .....	196
52. American Imports of Furs from China, 1891-1922, and Percentage of the Trade in the Total American Fur Imports.	197
53. American Imports of Eggs and Egg Products from China..	201
54. Quantity and Value of American Cotton Cloth Exports to China, 1891-1922 .....	210
55. Distribution of the Value of China's Imports of Cotton Piece Goods Before the War, 1902-1913.....	210
56. Importation of Cotton Piece Goods Into China, 1911-1922...	212
57. Comparative Price Per Piece of Cotton Cloth, February, 1914 .....	214
58. Number of Cotton Mills in China, 1891-1921.....	217
59. Cotton Consumed by Chinese Cotton Mills.....	220
60. China's Imports of Raw Cotton, 1902-1922.....	221
61. American Direct Exports of Raw Cotton to China, 1901-1910	222
62. American Mineral Oils Exported to China (Including Leased Territories), 1891-1922 .....	229
63. Distribution of China's Oil Import Trade in Percentages, 1870-1922 .....	230
64. American Exports of Other Refined Mineral Oils to China, 1913-1922 .....	235
65. American Export of Tobacco, both Manufactured and Unmanufactured, to China, 1891-1922.....	239
66. Proportion of Cigarettes to the Total American Exports to China, 1915-1922 .....	241
67. American Exports of Wood and Wood Manufactures to China, 1891-1922 .....	245
68. Soft Wood Import of China, 1911-1922, Quantity Distribution .....	247
69. China's Import of Iron and Steel Machinery, 1912-1922....	251
70. American Exports of Steel and Iron Machinery to China, Including Leased Territories, 1908-1922.....	252
71. China's Imports of Iron and Steel Products and Distribution of the Trade, 1913-1922.....	255
72. American Exports of Iron and Steel Products to China, Including Leased Territories, 1891-1922.....	256
73. Value of Total Imports of Electrical Materials and Fittings into China, 1913-1922.....	261
74. Value of American Exports of Electrical Machinery, Appliances and Materials to China, 1913-1922.....	262
75. China's Import of Motor Cars and Cycles and American Exports to China, 1912-1922.....	265
76. History of American Banks in China.....	326



PART I

Historical Sketch



## CHAPTER I

### THE PERIOD OF INFORMAL OR NON-TREATY INTERCOURSE, 1784-1844

#### 1. *General Statement*

Trade between the United States and China has run its course for nearly one and a half centuries. Its whole history naturally divides itself into four periods. Disregarding the indirect commercial relations before American independence we shall begin our historical account with the establishment of the United States. The first period of this history is one of informal or non-treaty intercourse, extending from 1784, when the first American ship reached Canton, to 1844, when the first American commercial commissioner, Caleb Cushing, concluded with the Chinese authorities the first Sino-American commercial treaty. During this period the enterprising American seamen played a very active part in China's foreign trade, second in importance to that of no other country. This period may in turn be sub-divided chronologically as follows: (1) the beginning of the trade, 1784-1790, (2) trade expansion and the British-American War, 1791-1814, (3) quietness in the trade from the close of the war of 1812 to the outbreak of the opium trouble and the treaties of Nanking and Whanghia, 1815-1844.

The second period of our trade history naturally begins with the year 1845 when formal intercourse between the United States and China under the provisions of the Treaty of Whanghia began, and ends with the Sino-Japanese War in 1895. The reason for choosing this latter year as a line of demarcation between this and the later periods is that before this time American business men encountered less competition from Japan and from European Powers in the Oriental market, although the development of Sino-American trade had been comparatively slow. This period natur-



ally falls into two subperiods with the American Civil War as their dividing line. In the first subperiod American business men were still active in carrying on Oriental trade, but owing to the rapid decline of the American marine during the Civil War and the rapid internal development after that event, American brains and capital became more and more occupied with their domestic enterprises and their Oriental trade was therefore allowed to wane.

The third period begins in 1895 and ends with 1913—a period of disturbances and severe competition. During this period, there were the Sino-Japanese War, the Russo-Japanese War, the Chinese boycott of 1905 against American goods, the Chinese Revolution of 1911, and the creation of the Chinese Republic. All these disturbing factors exerted a great influence on the trade between the United States and China. The easy victory of Japan over China radically altered the political situation in the Far East. The most powerful colonizing empires of the Occident, such as Great Britain, Germany, Russia and France, were quick enough to take advantage of this opportunity to expand their political and commercial influence in China. Japan, also, had made herself an industrial nation and exerted her entire energy to make China the market for her products. Occupations and leaseholds within Chinese territory became very common, and "spheres of influence" were viciously established. It was in this period that competition for Chinese trade was the severest, and although the United States had renewed her interest in the development of her trade in China, she made little headway in this direction.

The fourth period—a period of rapid expansion—is naturally set off by the outbreak of the European War. Because of the inability of European nations to carry on trade with China during the war, most of their trade was diverted to America, resulting in a tremendous increase in the trade between these two nations. During this period China and the United States became much more intimately related in their commercial interests. In former periods China played a

passive part in the trading, but she now began to play an active part in buying and selling as well as in the carrying trade. Since 1914, therefore, we have entered a new era in the trade between China and the United States.

## 2. *The beginning of trade*

American commerce with China was the result of influences reaching back over an extensive period. It may be said that at the very discovery of the New World a connection existed with the Celestial Empire, for it was to find Cathay and the Indies that Columbus sailed westward. Indirect trade had existed between China and America long before the establishment of the United States. Tea was imported from Canton by the East India Company by way of Great Britain; since 1718 ginseng, the drug which formed a large part of the cargoes of the first Chinese ship, had been known to be native to North America,<sup>1</sup> and it is probable that the East India Company had shipped some of it to Canton.<sup>2</sup> These early activities naturally led the way to direct trade when America became an independent nation.

Another influence leading to American commerce with China was the development of shipping in the colonies. Many of the American ports, especially Boston, Salem, Philadelphia, and New York were distinguished for their ship owners and for their excellent ships. It was only natural that these enterprising seamen should have found their way not only on the Atlantic but also on the Pacific. Still another influence was the loss to the Americans of the trade with the British West Indies after the Revolution. Before the Revolution the colonies had, of course, been included in the British colonial system, but independence, by placing them outside the system, made it necessary for them to look elsewhere for the investment of their commercial

<sup>1</sup> "Jesuit Relations and Allied Documents," Cleveland, C., 1900, 66:333.

<sup>2</sup> William Speer: *The Oldest and the Newest Empire: China and the United States*, 1870, p. 140.



capital. Independence, therefore, while shutting the door of the West Indies to the Americans, opened the portals of Asia and the East Indies.

In the light of these causes we are not surprised to find in the United States widespread movements right after independence was established to take advantage of Chinese trade. The first definite effort to establish direct trade with the old Empire of the East was made in 1783, when in December a little fifty-five ton sloop, the *Harriet*, sailed from Boston with a cargo of ginseng for China.<sup>1</sup> "Putting in at the Cape of Good Hope, she met with some British East-Indiamen, who, alarmed at this portent of Yankee competition, bought her cargo for double its weight in Hyson tea."<sup>2</sup> Her captain made a good bargain, but lost the honor of hoisting the first American ensign in China to another ship, the *Empress of China*.

It was in the next year, 1784, that this epoch-making vessel, fitted out by a New York merchant, first reached China.<sup>3</sup> Ginseng formed the main part of her cargo. After rounding the Cape of Good Hope the vessel reached Canton, anchoring on August 28 at Whampao, the harbor of that city. As a beginning this voyage may be considered to have been most auspicious. Samuel Shaw, the supercargo of that ship, says in his *Journal*: "The Chinese were very indulgent toward us. They styled us the new people; and when by the map we conveyed to them an idea of the extent of our country with its present and increasing population, they were highly pleased at the prospect of so considerable a market for the product of theirs." The Americans disposed of their ginseng to advantage, and purchased a cargo of teas and Chinese goods of various kinds. The returning voyage of the ship ended on May 10, 1785, when she arrived safely in New York, bringing home a cargo that proved America need pay no further tribute for teas and silks to the British or the

<sup>1</sup> S. E. Morrison: *The Maritime History of Massachusetts*, p. 44.

<sup>2</sup> *Ibid.*

<sup>3</sup> S. E. Morrison: *The Maritime History of Massachusetts*, p. 45.

Dutch. The net profit of the voyage was estimated at \$30,727, or about 25% on the capital invested.<sup>1</sup>

The news of this successful voyage created much interest and added incentive to the plans which were already projected. Shaw reported the result of the voyage to John Jay, United States Secretary of State; and received soon afterward by order of Congress a reply telling of that body's "peculiar satisfaction in the successful issue of this first effort of the citizens of the United States to establish a direct trade with China."<sup>2</sup> Soon afterward another ship, the *Alliance*, was sent out from Philadelphia, and returned with a cargo said to have been worth half a million dollars.<sup>3</sup> After this, several voyages were undertaken and in 1786 Shaw went out again from New York as supercargo of the ship *Hope* carrying with him a commission from the Congress of the United States as Consul at Canton.<sup>4</sup> This was the first American Consulate beyond the Cape of Good Hope and was the only one in China until after 1844.

The Canton trade thus started had become firmly established by the year 1790. Merely running over such names of the ships engaged in it as have come down to us gives us some idea of its extent.<sup>5</sup> There were the *Asia* and the *Canton*, whose voyages were not very successful;<sup>6</sup> the *Jenny*, the brig *Eleonora*;<sup>7</sup> the *Massachusetts*,<sup>8</sup> the *Astrea*,<sup>9</sup> the *Columbia*,<sup>10</sup> the *Light Horse*,<sup>10</sup> the *Atlantic*,<sup>10</sup> the brig *Three Sisters*,<sup>10</sup> and the brigantine *Hancock*.<sup>10</sup>

<sup>1</sup> Shaw's *Journal*.

<sup>2</sup> Shaw's *Journal*, *Appendix*, p. 337.

<sup>3</sup> For Accounts of this voyage, see A. Ritter, *Philadelphia and Her Merchants as Constituted Fifty to Seventy Years Ago*, Philadelphia, 1860.

<sup>4</sup> Shaw's *Journal*, p. 150.

<sup>5</sup> For the early history of the shipping trade between America and China, see Morison, Samuel E., *The Maritime History of Massachusetts, 1783-1860*; Boston, 1920.

<sup>6</sup> Shaw's *Journal*, pp. 295-296.

<sup>7</sup> *Ibid.*, p. 297.

<sup>8</sup> Delano: *Voyages*, pp. 21-25.

<sup>9</sup> *Journal of Brig Astrea to China*.

<sup>10</sup> Morison: *op. cit.*, p. 47.



In order to aid the development of direct Oriental trade as well as that of the American marine, early tariff provisions were enacted by the American Congress.<sup>1</sup> A moderate duty was imposed on tea imported direct from China, in American vessels, ranging from six to twenty cents per pound; but on tea imported from Europe in American bottoms, the duty ranged from eight to twenty-six cents, and on tea brought in foreign vessels, from fifteen to forty-five cents per pound.<sup>2</sup> Likewise, all other Oriental products imported in foreign vessels were obliged to pay a duty of 12.5 per cent. *ad valorem*, or almost twice the rate levied on imports brought in American vessels.<sup>3</sup> Largely because of these tariff provisions, Oriental trade rapidly became an important factor in the commerce of Salem, Boston, New York, Providence, Philadelphia, and Baltimore, and "laid the foundation of those great fortunes which constitute the origin of the wealth of so many of the older New England families."<sup>4</sup> They "brought back immense quantities of tea, spices, sugar, coffee, silks, nankeen and other cloths—all of them of great value in proportion to their bulk and therefore yielding heavy profits in the carrying trade; and whatever failed to find a market at home was reshipped from New England ports and sold in Hamburg or Northern Europe."<sup>5</sup>

American trade with China was then confined to the port of Canton, and was from the first compelled to fit into the Canton commercial system of what has been well known as "Co-hong." Co-hong was a mercantile organization, comprising a certain number of Chinese merchants to whom was granted by the Chinese Government a loose monopoly of

<sup>1</sup> Johnson, E. R., *History of Domestic and Foreign Commerce of the United States*, Vol. II, p. 336.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

<sup>4</sup> Soley, "Maritime Industry of America," in Shaler, *The United States of America*, Vol. I, p. 525.

<sup>5</sup> *Ibid.*

dealing with foreign merchants. The members of the "Hong" were responsible to the Chinese authority for the "control" of foreigners and the enforcement of trade regulations. All trade transacted between China and foreign countries was handled by this organization.

### 3. *The Expansion of trade and the effects of the European Wars and the Anglo-American War of 1812, 1791-1814*

In the first flush of success America felt that her trade with Canton was destined to expand indefinitely. It soon became apparent, however, that a limit would speedily be reached. The chief article of importation from China was tea, and its consumption in America was limited. In addition, there was great difficulty in getting commodities with which to purchase cargoes in Canton. Through the centuries, Europeans had gone to China, as to the rest of the East, in quest of its teas and silks, while but few Western products could be found for which there was a return demand. The balance of trade had been met by heavy shipments of specie, a drain which had long been a cause of concern. From the very first the Americans had faced this same difficulty. For a time they had hoped that in ginseng they had a product which would supply the need.<sup>1</sup> Before long, however, it became apparent that the demand for the root in China was limited, since it served only for some curative purposes and was not commonly consumed by the Chinese people. Its quantity and value fell far short of those of silk and tea which the Americans bought of the Chinese. It was therefore necessary to export specie extensively to make up the deficit.

During the period, 1805-1815, the export of specie from the United States to Canton amounted in value to \$22,719,000, 70% of the total exports, while the value of merchandise exports was only \$10,239,688, 30% of the total.<sup>2</sup>

<sup>1</sup> Shaw's *Journal*, pp. 229-236.

<sup>2</sup> Pitkins: *Statistical View of the Foreign Trade of the U. S.*, 1835 ed., p. 303.



Specie was of all commodities the one which the United States could least spare at that time as they then had no silver or gold mines of importance. Specie was hard to get to exchange for such luxuries as tea and silk, and the prospects of American trade with Canton appeared to become extremely limited.

At about this time, however, two widely separated groups of events partially removed both of these hindrances, and gave Chinese-American trade an impetus which resulted in its rapid expansion. The effect of the first group of these events, the European wars following the French Revolution, is too well known to require detailed treatment here. The United States was made the common carrier of the whole world as well as of Europe. The effect on the trade with China was to give a wider market for tea. Between 1800 and 1812, from a fourth to a half of each year's imports of tea were re-exported from the United States.<sup>1</sup> In addition American bottoms took many cargoes directly from China to Europe. The second group of events, the opening of new sources of supply of goods for the Chinese market, resulted in new demands of the Chinese for furs, for sandal wood and for various products which the American traders got from the South Seas, and for which they exchanged the Chinese silks and teas. The fur trade, it was estimated, became of even greater importance in the Chinese market than ginseng during this period. This trade falls easily into three classifications: the furs which were brought from the interior—from the region of the Great Lakes and the Mississippi Valley—to the Atlantic Ports and then shipped as part of the regular cargoes to Canton; the sealskin trade with the Falkland Islands and the South Pacific, and the trade with the northwest coast of America in both land and sea skins. The sealskin trade developed more rapidly, and was carried on almost exclusively by the Americans in small vessels with relatively small crews. While the trade lasted, that is, until the seals were nearly extinct, it was probably the most profitable branch of the Canton trade. It was, however, both

ruthless and reckless, and within a generation the seals had become so scarce that it was no longer profitable.<sup>1</sup>

As to the extent of the fur trade, it was estimated that from the Island of Massafuero alone three and a half million fur seals were taken and sold at Canton.<sup>2</sup> Another estimate put the number of fur seals brought to Canton from all the South Pacific during the two decades, 1805-1834 at nearly 1,800,000, the valuation of which may be placed "most conservatively" at \$3,500,000.<sup>3</sup> Sea otter pelts from the northwest coast during the same period amounted to 160,000 valued at not less than \$4,000,000. The value of the land skins shipped directly from Atlantic ports was probably less than either of these items.

The sandalwood trade was vigorously carried on with the native Hawaiian chiefs, leading to the visits of Hawaiians to the United States, to the missionary efforts of 1820, and eventually to annexation.<sup>4</sup> Although the exact extent of the trade with China is not known today, it can safely be stated that it was second only to that of the fur trade in importance.

In addition to the trips to the northwest coast of America and the South Seas for furs and sandalwood, the Canton ships took other roundabout routes, many of them opened to them by European wars. These wars, resulting in the opening of new avenues of trade and the establishment of an efficient merchant marine, caused a phenomenal growth in the Chinese-American trade. In 1789 Shaw mentions four American vessels at Canton;<sup>5</sup> in the season of 1804-5 there were thirty-four, in 1806-7 there were forty-two and in 1809-10 there were thirty-seven. The imports to Canton in these

<sup>1</sup> For a more detailed account of the Fur Trade see S. E. Morison, *The Maritime History of Massachusetts, 1774-1860*, p. 52 ff.

<sup>2</sup> Benjamin Morell, *A Narrative of Four Voyages to the South Sea, from 1822-1831*, New York, 1832, p. 130.

<sup>3</sup> Fur trade statistics may be found in Pitkins' *Commerce of the United States* (editions 1816 and 1835).

<sup>4</sup> S. E. Morison, *Maritime History of Massachusetts*, p. 59.

<sup>5</sup> Shaw's *Journal*, p. 297.



last three seasons were \$3,555,818, \$5,127,000 and \$5,715,000 respectively.<sup>1</sup> While the total commerce of the United States had more than quadrupled in a decade and a half,<sup>2</sup> that with China had nearly kept pace with it, averaging each year four and five percent of the total.

The costs of doing business at Canton in these early days were said to be very heavy.<sup>3</sup> In addition to the usual charge of commissions and duties, there were "presents and grafts that must be yielded at every step to the hoppo (an official taking charge of the harbour), the compradore, or the linguist."<sup>4</sup> The *Columbia's* first lading, we are told, of one thousand and fifty sea-otter skins was sold for \$21,400; but after fees, expenses and repairs were deducted, only \$11,242 remained to invest in a homeward cargo.<sup>5</sup> Yet the American demand for Chinese goods increased so fast that the trade grew by leaps and bounds.

The War of 1812 brought about a distinct break in the trade between the United States and China. Here, as in other branches of commerce, fear of capture by the British kept American ships at home. The total commerce of the three seasons from 1812 to 1815 was barely half that of the year before the War, and less than a third of that for the season of 1809-11.<sup>6</sup>

4. *A period of Peaceful trade—from the close of the Anglo-American War of 1812 to the conclusion of the first commercial treaty between the United States and China, 1815-1844*

The close of the War of 1812 between Great Britain and

<sup>1</sup> U. S. Sen. Docs. No. 31, 19th Congress, 1 Sess., also see *supra*, table on p. 8.

<sup>2</sup> American State Paper, *Commerce and Navigation*, Washington, 1832; 1:927, 928, Exports from the United States, 1791-92, \$20,753,088; 1806-7, \$108,343,150.

<sup>3</sup> S. E. Morison, *op. cit.*, p. 66.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> See Table 1.

the United States brought with it a stimulus to American commerce with China. The high prices of tea and silk caused by the war stimulated the natural increase due to the resumption of trade and for the first few years many new American firms were established, and both the United States and Europe were flooded with teas, nankeens, and silks. The first season showed a decided increase, the second nearly equaled the largest one before the war, and the three succeeding ones all greatly surpassed it. But after 1821 trade returned to a normal condition, and its volume became fairly steady year after year. Table 1 compiled from several different sources presents a view of the total American-Chinese trade during the whole period under discussion.

A change came in the Chinese-American commerce: the fur trade had nearly reached its end because of the gradual disappearance of the fur seals from the northwest coast of America; and the sandalwood trade had passed its zenith. There were new conditions, however, which led to the steady growth of the Canton trade. Teas carried in American bottoms still had a market in Europe, and because the population of the United States was more numerous and wealthier than in 1790 there was at the same time a growing market for Chinese goods. Hence, in spite of the removal of the principal causes of earlier prosperity, the years between 1814 and 1844 were, on the whole, successful ones for the Canton trade, even though they were, for the most part, quiet and lacking the fervor and the romance of the two decades before 1814.

However, in 1821 there came an exciting episode—the Terranova affair. The complete lack of diplomatic intercourse and treaties between foreign nations and China, and hence of a mutually recognized means of adjusting international difficulties caused a temporary suspension of trade relations. Terranova was an Italian sailor on board the American ship *Emily*, and was accused by the Chinese of having killed a Chinese woman on a boat. The Chinese authorities demanded his surrender, which the captain of the



## 14 TRADE OF UNITED STATES WITH CHINA

ship refused. An embargo was thereupon laid upon all American trade in Canton as a means of bringing pressure to bear upon the Americans to consent to his surrender. After repeated conferences between the Americans and the Chinese Co-hong merchants, the sailor was surrendered to the Chinese authorities for punishment. American trade was by an edict of the Canton viceroy at once reopened after the Americans had eventually admitted respect for the Chinese legal right over this case.<sup>1</sup> Aside from this episode, Chinese American relations during this period were quite uneventful, the traders of both countries living together peacefully and amicably.

With a review of the accompanying table, we can see some remarkable changes in the trade itself. During the first five years, 1816-1820, the total amount of the value of imports from Canton to America was \$33,266,936, while the American exports thereto, including \$25,779,000 of bullion and specie, amounted to \$33,930,107, thus nearly balancing each other. But in the following decade, 1821-30, the total imports amounted to \$52,954,994 while the exports were only \$35,477,581, leaving a discrepancy of \$17,477,013. The discrepancy between exports and imports in the second decade was much greater, the total imports from China being increased to \$61,223,223, while exports decreased to only \$12,749,203, leaving a balance of \$48,474,020. One may well wonder at the enormous sums of these balances of trade, and ask what had become of them. To clear up this point of doubt, one must realize the fact that America paid off these balances not by credit borrowing from the Chinese, but by exchange bills on England. Before 1826, all balances of trade favorable to China were paid in bullion and specie, so there remained no appreciable discrepancy between the values of exports and imports. From 1805 to 1826 the exportation of precious metal by America to Canton reached

<sup>1</sup> For details of this case, see T. Dennett, *Americans in the Far East*. Ch. on Terranova case.

TABLE 1

TRADE BETWEEN THE UNITED STATES AND CHINA, 1810-1844

Years ending Sept. 30	Exports from U. S. to China			Imports to U. S. from China	Whereof there was in Bullion and Specie	
	Domestic in \$1,000	Foreign in \$1,000	Total in \$1,000	Total in \$1,000	Exports to China in \$1,000	Imports from China in \$1,000
1810 <sup>a</sup>	....	....	5,715	5,745	4,723	e
1816 <sup>b</sup>	....	....	4,220	2,528	1,922	
1817	....	....	5,703	5,610	4,545	
1818	....	....	6,777	7,077	5,601	
1819	....	....	9,057	9,867	7,414	
1820	....	....	8,173	8,186	6,297	
1821 <sup>c</sup>	389	3,902	4,291	3,112	3,391	..
1822	429	5,506	5,935	5,243	5,075	1
1823	288	4,348	4,636	6,511	3,584	22
1824	330	4,971	5,301	5,619	4,464	..
1825	160	5,410	5,570	7,533	4,523	..
1826	242	2,324	2,567	7,422	1,652	..
1827	291	3,574	3,864	3,617	2,525	..
1828	230	1,252	1,481	5,339	456	24
1829	261	1,094	1,355	4,681	602	..
1830	156	586	742	3,878	80	9
1831	245	1,046	1,291	3,083	367	..
1832	339	924	1,261	5,345	452	26
1833	538	896	1,434	7,542	290	6
1834	256	755	1,010	7,892	379	..
1835	336	1,533	1,869	5,987	1,392	..
1836	342	853	1,194	7,325	414	..
1837	319	312	631	8,965	155	..
1838	656	861	1,517	4,765	729	4
1839	430	1,103	1,534	3,679	993	..
1840	469	541	1,010	6,641	477	..
1841	715	485	1,201	3,095	427	..
1842	738	707	1,444	4,935	607	..
1843 <sup>d</sup>	1,755	664	2,419	4,386	572	..
1844	1,110	647	1,757	4,931	567	..

<sup>a</sup> and <sup>b</sup>. The figures for year 1810 and for 1816-1820 were taken from U. S. Senate Doc. 31, 1 Sess., 19th Congress.

<sup>c</sup> This was the largest before the War of 1812.

<sup>d</sup> From 1821-1844, the figures are taken from Homan's, I. S.; "A Historical and Statistical Account of the Foreign Commerce of the United States," 1857.

<sup>e</sup> Nine months to June 30, and the fiscal year after 1844 changed to begin July 1.

<sup>f</sup> These figures are taken Pitkins; Statistical View (1835 ed.), p. 303.



a large total of \$58,707,891. Until replaced by bills of exchange it formed half and even three-fourths of the total export to China amounting in one year to nearly seven and one-half millions of dollars.<sup>1</sup> The drain, while necessary, was heavy, and American merchants found it profitable to import teas, even when paying for them with so expensive a commodity. Most of it was in the form of Spanish milled dollars obtained from the Spanish West Indies, South America, Portugal, and Gibraltar. About 1827, however, bills of exchange on England began to take the place of specie. The rapidly increasing importation of the nineteenth century had turned the general balance of trade against China and made it cheaper for America to buy exchange with American products shipped to England than to get silver from the Spaniards. During the seven years, 1827-1833, nearly nine million dollars of these English bills were used by Americans to pay off their unfavorable balance of Canton trade.<sup>2</sup> How much was paid after 1833 can not be ascertained from the available statistics of Chinese-American trade, but it is safe to assume that the sum was on the increase, as the amount of the exported specie was rapidly on the decrease.

The period between 1815 and 1839 was also marked by noticeable changes in the composition of exports and imports to and from China. Of American exports to China, cotton had assumed a new importance. It is true that America purchased nankeens (Chinese domestic cotton cloths) at Canton, but later the increased quantity and cheapness of the coarser cottons of the Occident won for them a market in the East. For American raw cotton there was little demand, since the product of China herself and that of India were cheaper.<sup>2</sup> Other goods, such as quicksilver, copper, lead, rice, and a little steel were also exported to China. All of these products America got from places other than her own

<sup>1</sup> Year 1819, see Table 1.

<sup>2</sup> Cf. Pitkin, *Statistical View* (1835 edition), p. 303.

country. Ginseng still continued to be shipped from America, but its quantity was not large.<sup>1</sup>

Another article imported into China was opium. During the early years of the nineteenth century, the importation of opium into China by Americans was always much less than that by the British, and most of it was of the inferior kind obtained in Turkey. It is, however, quite impossible to determine with any precision the amount of Turkish opium thus imported into China by American merchants, for it was a contraband article after 1791,<sup>2</sup> and therefore smuggling was great. It was asserted by one who traded in it extensively that from 1827 to 1830 Americans disposed of from twelve to fourteen hundred piculs annually.<sup>3</sup> The share in the importation by Americans of opium from India is even more difficult to determine as American ships carried cargoes freely from British India to Canton, and in these consignments opium eventually appeared. At the time of the surrender of stored opium to Commissioner Lin in 1839, out of a total of 20,283 chests, there were in the possession of Americans 1540 chests.<sup>4</sup>

Although at no time did the American importation of opium form a very considerable part either of the total import of the drug to China or of the total of American imports the existence of the trade itself conferred on the Americans a direct benefit, for it reduced the necessity for the importation of specie. As the supply of furs began to diminish after 1820, and while the American cotton trade was in its infancy, the increased importation of opium was a very important transaction.

Of the exports from China to America, tea was always predominant. We shall come in Chapter VI to a more detailed discussion of tea trade during this early period, but

<sup>1</sup> Documents 35, 3 session, 27 Congress. Executive Report.

<sup>2</sup> Foster: *American Diplomacy in the Orient*, pp. 64-73.

<sup>3</sup> Forbes: *China Trade*, p. 27. One picul = 133.3 lbs.

<sup>4</sup> Hunter: *Fan Kwai*, p. 146.



here suffice it to say that in value the proportion of tea to the total American imports from China during these years was for 1822, 36%; 1828, 45%; 1832, 52%; 1837, 65%; 1840, 81%. It may readily be seen from these percentages that in the years following 1815 the relative proportion of tea to other Chinese imports constantly increased.

Besides tea, silks were also an important article of import from China to the United States. In the fifteen years after 1820, they were of great importance, several times amounting to more than one-third of the total imports from China.<sup>1</sup> Later, however, owing possibly to changing fashions, the importation of silk declined, until in 1841, it was scarcely eight per cent of the whole.<sup>1</sup> Somewhat similar was the fate of cotton cloths or nankeens, because the Americans had at that time reached a stage where they were able to manufacture their own cottons with their newly established domestic cotton industry. Other articles such as cassia, chinaware, a little sugar, and a number of minor articles such as fire screens, fire crackers, camphor, rhubarb, and fans were also imported to the United States.

The last important set of incidents in the history of Chinese-American intercourse before 1844 cluster around the first British-Chinese War, commonly known as the Opium War, because it was caused by the determination of the Chinese Government to exterminate this demoralizing trade and the equally strong determination of the British Government to maintain it. It does not seem necessary to describe here the intricate relations between Great Britain and China which led to this notorious occasion, which falls rather in the realm of Sino-British political history than in that of the history of Chinese-American trade. Suffice it to say that the Americans, though having been involved in the opium trade to a certain extent, were much less involved in it than the British. So they seemed to have little to do

<sup>1</sup> See Chapter VII, *infra*.

with this incident, except that its result affected the future of the Chinese-American trade more than anything else. It closes an old chapter and opens a new one in the history of their trade, when, as an aftermath of the war, the United States concluded with China the first "treaty of peace, amity and commerce" in 1844.<sup>1</sup> We now emerge from a period of informal intercourse into one of diplomatic relations.

Owing to the disturbances of the intermittent warfare from 1839 to 1842 at the mouth of Canton River, American trade with China suffered a noticeable decrease during this short period. For a time the port of Canton was blockaded by the British fleet, and the freight for conveying goods from the seacoast to the city of Canton was higher than that from America to China. The Americans, however, made large profits in transporting goods between the two places. With the return of peace in 1843 Chino-American trade resumed its normal magnitude with a rush, and in Table 1 we notice that in 1843, when the fiscal year consisted of only nine months, the total American imports from China amounted to \$4,385,566 in value, and exports to China to \$2,418,958, while the corresponding figures for the previous year (of twelve months) were \$4,934,645, and \$1,444,397.

<sup>1</sup> See Chapter XIV, *infra*.



## CHAPTER II

### THE PERIOD OF TEMPORARY EXPANSION AND STEADY DECLINE, 1845-1894

Although commercial relations had existed between the United States and China for more than half a century, it was not until the treaty of 1844 that a beginning was made in formal treaty intercourse. But when formal relationship had once been established there immediately followed a rush of commercial activities on the part of Americans in China. The United States was taking a very big share in China's foreign trade during the first decade and a half of this period, and it seemed as if a very rapid and unlimited increase would be our normal expectation.

But this phenomenal trade expansion came at the beginning of a stage characterized by great confusion both in China and in the United States. Within a generation China was to pass through her Taiping Rebellion which devastated thirteen of her twenty-one provinces and destroyed twenty million people. This is said to be the greatest civil conflict the world has ever had so far as loss of lives and property is concerned. This greatly reduced the purchasing power of the Chinese people and delayed at least for a generation their national improvements. In the United States, on the other hand, the Civil War came, during which her magnificent shipping, the vital element of her foreign trade, fell into decay, while high tariff walls were established, first, for revenue purposes, and later, for protection of American industry, and thus seriously blocked the way to further growth of imports from China. With these disturbing factors in full swing, it was only natural that the development of her Oriental trade should have been unavoidably slow.

The tardiness in the development of Chinese-American

trade would have been even more significant had there been no favorable influences stimulating at the same time the commercial intercourse of the two peoples. During the latter part of the period, the preeminently favorable characteristic was the shortening of distances. Communication between Asia and America became quicker and cheaper; it was as though the globe suddenly contracted to a quarter of its former size. Following rapidly upon the clipper ship with its quicker and cheaper transportation came the extended development of steam motive power; the transcontinental railway lines of America were constructed; and the trans-oceanic steamers were first put into regular passenger and freight service. The overland and submarine telegraph was introduced into general use. These inventions were accompanied by the perfection of labor-saving machinery and the multiplication of the uses of steam power in manufacturing processes in the United States. All these industrial and commercial changes exerted their influence to an immeasurable extent in promoting the trade between the United States and China.

#### 1.—*The period of temporary trade expansion, 1845-1860*

Table 2 presents in a compact mass the entire statistics of Chinese-American trade during this short period of phenomenal trade expansion.

The outstanding fact of the trade of this sub-period is the rapid though irregular increase of both imports and exports, as indicated in the amount of total annual trade. The total trade for 1845 was greatly in excess of that of the previous years, indicating a quick recovery from the disturbing effects of the opium troubles in China; yet in the following years it steadily increased from a value of nine million dollars to about fourteen and a half millions in 1853, in spite of the fact that the Taiping Rebellion was just on its high tide in China. In 1858, when the Rebellion was quelled and the country again became peaceful, both imports and exports



between the countries received great stimulation and leaped to the high water mark of twenty-two and a half millions in 1860.

TABLE 2  
AMERICAN TRADE WITH CHINA, 1845-60

Year ending June 30	Exports from U. S. A. to China			Imports into U. S. from China	Whereof there was in bullion and specie		Total trade in \$1,000
	Domestic in \$1,000	Foreign in \$1,000	Total in \$1,000		Export in \$1,000	Import in \$1,000	
1845	2,079	197	2,276	7,286	159	27	9,562
1846	1,178	154	1,332	6,594	113	..	7,926
1847	1,709	124	1,833	5,583	33	..	7,416
1848	2,064	126	2,190	8,083	72	..	10,273
1849	1,461	122	1,583	5,514	10	..	7,087
1850	1,486	119	1,605	6,593	25	..	8,199
1851	2,156	329	2,485	7,065	147	..	9,550
1852	2,480	183	2,663	10,594	20	..	13,257
1853	3,213	524	3,737	10,574	489	..	14,311
1854	1,294	104	1,398	10,506	156	108	11,904
1855	1,533	186	1,719	11,049	675	..	12,768
1856	2,048	510	2,558	10,454	634	1	13,013
1857	2,020	2,375	4,395	8,360	1,898	..	12,755
1858	3,008	2,690	5,697	10,571	2,016	..	16,258
1859	4,233	2,894	7,127	10,791	2,050	..	17,919
1860	7,171	1,735	8,906	13,567	3,156	..	22,493

Data from U. S. Bur. of Statistics (Treasury Dept.): *Commerce of Asia and Oceania*, 1898.

Throughout this period the flow of specie had been steadily from America to China, although during the first ten years the flow was slight, averaging about \$100,000 annually. In 1849, the net exportation of bullion and specie from the United States to China was only \$9,967, an almost negligible sum. This gives evidence of the fact that the big balances of imports against exports were nearly all paid by bills of exchange on London, which originated from British opium trade. But after 1855, heavy exports of specie were again

resumed, because America had found its gold and silver mines in California and Mexico. From that time the flow of specie, especially silver, has been going on without interruption up to the present.

In 1860, China was seventh in supplying American imports, following the United Kingdom, France, Spanish West Indies, British North American Provinces, Brazil and Germany, in the order of their importance.<sup>1</sup> Although the percentage of United States exports to China was only 1.78 of the total American exports in the same year, yet China held the same rank among the best customers for American goods as that held among the suppliers. She was exceeded only by the United Kingdom, France, the British North American possession, Germany, and Spanish West Indies in the order of their relative importance.<sup>2</sup>

#### *Growing American Shipping, a cause of trade expansion*

Among the several causes which underlie the expansion of trade during this period must be first mentioned the growth of American shipping. In the previous period the tonnage of shipping between these two countries had never exceeded the 10,000 ton mark except during the two years, 1843-4.<sup>3</sup> But within a period of ten years, it increased to more than one hundred thousand tons,<sup>4</sup> and by the perfection of the American type of clipper ships, which appeared in 1840, they were able for a time to monopolize the transportation of tea even to England, for they could carry larger cargoes and deliver the tea in shorter time and in fresher condition than could their competitors.<sup>5</sup> Since in those early days ship owners and mariners were themselves traders, it is no sur-

<sup>1</sup> See U. S. Bureau of Commerce, *Commerce and Navigation of U. S.*, 1860.

<sup>2</sup> *Ibid.*

<sup>3,4</sup> See I. S. Homans: *A Historical and Statistical Account of the Foreign Commerce of the United States*, 1857, Sec. on China.

<sup>5</sup> Nye: *Tea and Tea Trade*, Part I, 1850.



prise that the import and export trade with China should have come with a big rush.

*The Lowering of American Tariff, a Cause for the Increase of Imports from China*

Just at the beginning of this period American imports from China, as well as those from other parts of the world, were greatly facilitated by another factor—the lowering of American import duties. A new tariff act was passed by the United States Congress in 1846 “with the avowed intention of putting into operation, as far as possible, the principles of free trade.”<sup>1</sup> Tea, formerly a pure revenue article, was now admitted free of duty, and this liberating measure at once caused a rapid expansion of its imports from China. The duty on many other articles and manufactures were also reduced to an average of thirty per cent,<sup>2</sup> and this reduction also exerted a great stimulating influence upon the ensuing growth in such imports of Chinese commodities like raw and manufactured silks, spices, wool and woolens, sugar, etc. “The tariff act of 1857 took away still more from the restrictive character of the American tariff legislation, and until her Civil War the United States had a tariff, which, though not arranged completely or consistently on the principle of free trade, was very moderate in comparison with the later system after 1860.”<sup>3</sup> It is partly due to this moderation of the previous American tariff restrictions that imports from China increased during this sub-period from seven million dollars in 1845 to eleven million in 1852, and to fourteen million in 1860.

*The Establishment of a Low Chinese Tariff by Treaty, a Cause for the Increase of American Exports to China.*

Nearly at the same time when the reduction of American

<sup>1</sup> F. W. Taussig: *Tariff History of the U. S.*, 1922 ed., p. 156.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*, p. 157.

import duties promoted American import trade with China, the establishment of a low Chinese conventional tariff by the Treaties of Nanking and of Wanghia, and thus the elimination of all the irregular exactions of the Chinese customs officers, also reduced greatly the cost of American and other foreign merchants in importing their commodities into Chinese ports. In the preceding chapter the writer has already given his readers some idea about the heavy cost of doing business the foreign importers at Canton were formerly compelled to bear in such items as duties, “commissions,” “presents,” and grafts, to the Chinese Government, harbor officials, compradores and linguists.<sup>1</sup> Even worse, perhaps, than the mere heaviness of the levy was its uncertainty and inconvenience. It is said that before a foreign vessel was allowed to land its cargo at Canton, the Chinese customs officials usually took days and even weeks to survey its loading capacity and to decide the amount of dues.<sup>2</sup> Bribes in order to lessen the official duty were common. Once a vessel was said to have been levied a duty of 1,500 taels, of which 1,300 taels went to the private pocket of customs officials “for the expenses of survey,” and only 200 to the government treasury.<sup>2</sup> Under such a corruptive tariff system, any great increase of American exports to China was naturally impossible.

But the Treaties of Nanking and Whanghia concluded between China on the one hand, and Great Britain and the United States on the other, put an end to all such vicious practices, and marked a turning point in the tariff history of China. The import tax on all foreign commodities was now strictly limited to the rate based on a uniform five per cent levy, specified in a tariff, which formed an integral part of these treaties,<sup>3</sup> and it was also definitely stipulated in the documents that no “presents” or commissions whatsoever

<sup>1</sup> Chapter I, p. 21, *supra*.

<sup>2</sup> C. Chu: *The Tariff Problem in China*, New York, 1916; p. 22.

<sup>3</sup> *Ibid.*



should hereafter be paid by the British and American importers.<sup>1</sup> These stipulations actually meant a substantial reduction of the duties to be paid by foreign merchants, and, therefore, acted as a strong impetus to further the growth of American exports to China. Thus, we had, in 1845-7, an annual average value of American exports to China of less than two million dollars, but the value increased to three million dollars in 1851-3, and again to eight million dollars in 1858-60.

### *The "Coolie Trade"*

During this period we had an important incident to the history of American trade with China in the so-called "coolie trade." In this hideous "trade" the Americans, as well as the British, Portuguese and Spanish had taken no small share, giving many thousands of innocent Chinese laborers the most trying treatment and originating for themselves the very unpleasant problem of Chinese immigration. During the fifties of the last century, swift clipper ships carried across the Pacific the news of the gold discovery and of the demand at San Francisco for cheap labor. American vessels, as well as those of some other nations, were drawn into the transportation of Chinese laborers to these various destinations, and the "trade" was in full swing by 1854. At Swatow in 1855, out of a total of twelve ships carrying 6,388 coolies, five were American, taking 3,050 of the total.<sup>2</sup> The Hongkong returns for the coolie trade for 1857 showed that out of a total of seventy vessels employed twenty-two were American, while nine American vessels brought coolies to Havana.<sup>3</sup>

The evils of the "coolie trade" were numerous and far-reaching. As the demand for cheap labor increased in

<sup>1</sup> *Ibid.*, p. 26.

<sup>2</sup> Marshall: *Correspondence*, p. 78; Report of House of Commons, 84, 116-7, 106.

<sup>3</sup> *Ibid.*

America artificial methods of stimulating recruiting were employed and large numbers of ignorant Chinese laborers were decoyed to the vessels where they were detained by force and became practically slaves. They were crowded into ships which were sometimes not even seaworthy, and supplied with insufficient food and water. The mortality *en route* was, therefore, naturally very high.<sup>1</sup> At their destination the laborers were often transferred or practically "sold" to contractors, and were miserably treated and subjected to all the customary evils of the contract labor system so that at the expiration of the term they were unable to return to China. The legal and moral outrages of these "traders" at once aroused the deepest resentment on the part of the Chinese people against all foreigners, because the Chinese could not very well distinguish who were the real evil doers. A general uprising against foreigners was threatened at various southern ports in China. Finally the abuses of the "trade" aroused the conscientious action of some western governments. In 1855, the English Parliament passed the so-called British Passengers Act, which forbade British vessels to carry such contract laborers except to British ports, and subjected them to close inspection. American vessels continued to share the "trade" until 1862, when it was prohibited by Act of Congress in the same spirit that settled the American slave question. The American representatives in China had also made some effort to check evils of the traffic, even before they got the support of legislation. "Reputable firms withdrew entirely from the trade, but individuals brought much disgrace upon the American flag and added to the anti-foreign sentiment in China."<sup>2</sup>

The result of this "coolie trade," so far as the United States and China are concerned is the most unpleasant problem of Chinese immigration, a problem which led the Americans to deal unfairly with the Chinese, and also caused much

<sup>1</sup> Parker: *Correspondence*, p. 625.

<sup>2</sup> Cf. Tyler Dennett: *Americans in the East*, N. Y., 1922.



political strife in America itself. To enter into a detailed discussion of this problem, falls perhaps outside the scope of the present treatise. Yet it has such an important bearing on the trade between these two peoples that we shall have to give it at least a passing notice in a later section.

#### *Composition of Imports and Exports*

During this period the composition of imports from China to the United States did not show much change, while that of exports to China underwent a constant alteration. As has been indicated above, the Chinese in previous years wanted few American products while the demand in America for Chinese products was much greater. The Americans had to procure goods outside their own country to pay for their Chinese imports. So the value of foreign exports was usually greater than that of domestic exports.<sup>1</sup> But during the middle of the nineteenth century the industrial revolution was taking full effect in America and developing some manufactures which were to have a good market in China. As a result the share of American domestic goods in the total exports to China had been increasing rapidly. In 1842 the total value of foreign exports was \$706,888, while that of domestic exports was \$737,509, the first year in which domestic exports to China exceeded foreign exports. Three years later in 1845, domestic exports amounted to \$2,079,341, constituting ninety-two percent of the total exports, while foreign exports decreased to the negligible sum of \$196,654 or eight percent of the total. In 1853 the domestic exports amounted to \$3,212,574, or eighty-six percent, as against \$524,418 of foreign exports, or fourteen percent of the total, and in 1860 domestic exports leaped to the figure of \$7,170,784.

Of American domestic exports to China cotton manufactures now held a place far outranking other products. In

<sup>1</sup> See Table 1.

1860 the United States exported to China painted, printed or dyed cloths to the value of \$591,185, white and other duck cloths \$262,424, and other cotton manufactures \$3,043,753. The total of all cotton manufactures was \$3,897,362, which is fifty-four percent of the total domestic exports \$7,170,784. From that time on American cotton goods constantly increased in importance in Chinese markets until the beginning of the present century when they were supplanted by Japanese and Chinese domestic cottons.

Other big items composing the total domestic exports in the same year (1860) were as follows:—

Cotton manufactures.....	\$3,897,362
Meats, dairy products and other provisions....	269,032
Wheat flour (37,328 bbls.).....	302,304
Coal (29,023 tons).....	117,969
Drugs and medicines.....	51,010
Ginseng (395,909 lbs.).....	295,766
Iron and steel manufactures.....	87,731
Manufactured tobacco (664,289 lbs.).....	97,957
Gold and silver bullion and coins.....	1,545,914
Other articles.....	508,043
	<hr/>
	\$7,170,784

Of the foreign exports during this period practically all were silver coins, which were transported from Mexico and the Spanish West-Indies. In 1860 such silver coins amounted to a value of \$1,556,828, which is ninety percent of the total foreign export.

Among the imports from China to the United States tea still retained the preëminent position it held in the previous period, varying in different years between sixty to eighty per cent of the total imports therefrom. But its relative importance now shows a tendency to decline. Silk came next, and then sugar, spices, and wool. The composition of 1860 imports is shown in the following table:



Tea .....	\$8,799,141
Silk, raw.....	1,020,496
Silk piece goods and other manufactures.....	906,929
Clothing .....	108,205
Matting .....	273,709
Oils, essential, or volatile expressed.....	99,056
Spices (mostly Cassia).....	296,743
Brown sugar (13,143,376 lbs.).....	628,668
Wool, manufactures of.....	204,352
Other articles.....	1,229,305
	<hr/> \$13,566,587

## 2. The Period of Slow Development, 1861-1894

At no time throughout the last one and a half centuries was the development of Chinese-American trade so slow as in the last four decades of the nineteenth century. Throughout the first six decades of that century, the magnitude and importance of the trade had been on the increase absolutely as well as relatively, and there was every reason to expect a continual rapid increase both in imports and in exports. But in spite of this, there was no noticeable increase of trade between these two countries for a period of nearly forty years. During this same period, American trade with Japan increased from nearly nothing in 1860 (imports to United States \$138,274; exports from United States \$55,091) to \$28,330,674 in 1894 (imports to United States \$23,695,957; exports from United States \$4,634,717), while American trade with China increased from \$22,472,705 in 1860 to only \$22,997,000 in 1894. In 1860 China had a share of 3.15% of the total foreign trade of the United States. In 1880 its relative share decreased to only 1.86%, and in 1894 to 1.75%. At the beginning of this subperiod, China was the seventh best foreign source of supply for American demands, and the sixth best customer for American products. But fifteen years later, in 1885, she was relegated to the eighth place as source of supply and to the fourteenth as a customer.

Even viewing the question from the other side, the declining relative importance of the American share in the total foreign trade of China is also clearly indicated in the following percentages: in 1872 the share of the United States in China's foreign trade was 8.46%; in 1877, 6.33%; 1881, 6.5%; 1887, 6.5%; 1889, 5.2%; in 1893, 6.4%, while China's trade with Japan was 3.01%, 3.76%, 3.4%, 4.10%, 6.2%, and 6.4% respectively in these same years.

The first half of Table 3 presents the complete statistics of American trade with China during the period under discussion. From the figures in the "total trade" column it is evident that trade was merely marking time on its way to later development.

These figures, however, do not represent the total volume of Chino-American trade because of the use of Hongkong as a port of transshipment between China and America as well as between China and all other European countries.<sup>1</sup> In those early years, American trade with the British and Dutch East Indies, and Indo-China was yet small in volume; a very large portion, if not all, of the American imports from Hongkong must have originated in South China, and an equal portion of exports thereto must have gone ultimately to China. We are sure not to commit any serious error, if we treat all the American Hongkong trade as Chinese trade. This has been done even in American Governmental reports; down to 1874, the American statistics for the China trade included all those for Hongkong.

The second half of the above table shows American trade with Hongkong since it was reported separately, and the last column, showing the total of American trade with China and Hongkong combined, certainly gives a more complete view of Chino-American trade.

Even after this correction of the trade statistics for China the trade still showed no material increase, but fluctuated be-

<sup>1</sup> For further discussion on this point, see Chapter IV on Hongkong allowance of trade, *infra*.



TABLE 3  
TRADE OF THE UNITED STATES WITH CHINA AND HONGKONG.  
1861-1894 <sup>a</sup>. UNIT: \$1,000

Year ending June 30	Value of Imports from China	Value of Exports to China <sup>b</sup>	Total	Value of Imports from Hong-kong	Value of Exports to Hong-kong	Total	Total Trade with China and Hongkong Combined
1861	11,352	6,917	18,269				
1862	7,459	5,499	12,958				
1863	10,961	6,142	17,103				
1864	10,165	8,733	18,898				
1865	5,131	7,105	12,236				
1866	10,133	10,150	20,283				
1867	12,112	9,768	21,880				
1868	11,385	11,691	23,077				
1869	13,209	12,376	25,585				
1870	14,628	9,040	23,669				
1871	20,066	2,068	22,135				
1872	26,754	2,936	29,690				
1873	26,353	3,394	29,748				
1874	18,159	2,543	20,703				
1875	13,480	1,458	14,938	1,203	2,102	3,305	18,243
1876	12,361	1,383	13,744	494	3,240	3,733	17,478
1877	11,141	1,697	12,838	1,171	3,230	4,401	17,239
1878	15,895	3,597	19,492	2,233	3,263	5,495	24,988
1879	16,566	2,517	19,083	1,653	3,291	4,944	24,027
1880	21,770	1,101	22,871	2,251	2,877	5,128	27,999
1881	22,318	5,448	27,765	2,400	2,917	5,317	33,082
1882	20,214	5,896	26,110	2,424	3,429	5,852	31,962
1883	20,141	4,080	24,222	1,919	3,778	5,697	29,918
1884	15,617	4,627	20,243	1,505	3,082	4,586	24,830
1885	16,292	6,397	22,689	984	4,149	5,133	27,822
1886	18,973	7,521	26,494	1,072	4,056	5,129	31,622
1887	19,077	6,247	25,323	1,436	2,984	4,421	29,744
1888	16,691	4,583	21,273	1,446	3,352	4,798	26,071
1889	17,028	2,791	19,820	1,480	3,686	5,167	24,986
1890	16,260	2,946	19,207	970	4,439	5,408	24,616
1891	19,322	2,710	28,023	563	4,769	5,332	33,355
1892	20,488	5,663	26,152	763	4,894	5,657	31,809
1893	20,367	3,900	24,537	878	4,217	5,095	29,632
1894	17,135	5,862	22,997	893	4,210	5,102	28,100

<sup>a</sup> Before 1874, inclusive, Hongkong trade was included under China.

<sup>b</sup> Gold and silver included until 1870 inclusive.

tween \$20,000,000 and \$30,000,000. It is an undeniable fact, therefore, that American trade with China was declining in importance to both countries.

#### *Tardiness of trade development*

One may well ask why, despite so many favorable conditions for trade expansion, such as shortening of distances, development of industry, etc., the trade failed to expand as it should have done. This pertinent question is answered by the reasons enumerated in the following sections

(a) *Decline of American Shipping Interest in China.* The decline of the American merchant marine, which became so marked after the Civil War, naturally had an adverse effect upon the further expansion of American trade in the Orient. During the time of bitter strife between the South and the North, American vessels were exposed to the gravest danger of attack by the naval force of the opposite parties. Many of them were sold to other countries and many left to remain idle and to decay in their harbors. Within a few years, the magnificent American merchant marine, which had been second to none before the war, suddenly dwindled in importance and activity. Large quantities of exports and imports to and from China, which formerly were carried in American bottoms, now had to be transported by the people of other countries. In 1860, of the \$7,170,781 domestic exports from the United States, goods to the value of \$6,774,422; and of the \$13,566,587 imports, goods to the value of \$13,135,340; were carried by America's own vessels.<sup>1</sup> But in 1893 these vessels carried only 12.6% of her total exports to China and only 13.2% of her total imports therefrom.<sup>2</sup>

<sup>1</sup> *Commerce and Navigation of the U. S.*, 1860.

<sup>2</sup> In 1893 American imports from China were valued at H. K. Taels 5,443,569; exports to China, at H. K. Taels 4,138,000. In this year value of goods carried by American ships to and from China were H. K. Taels 688,000 and H. K. Taels 1,412,000 respectively. Data from Chinese Customs Returns 1893, Part I.



(b) *The Re-establishment of Restrictive Tariff Systems by the United States after 1862.* The American Civil War retarded the natural expansion of American trade with China, not only by ruining the magnificent American shipping, but also by turning the American liberal commercial policies of the preceding sub-period into a system of extreme protection and thus shackled the American import trade with China as well as that with other countries. When the Civil War broke out, the American Government immediately felt the need of additional revenue for carrying on the struggle, and by the tariff acts of 1862 and of 1864, a great increase in the rates of import tax was brought about. Those acts "raised the duties so greatly and indiscriminately that the average rate on dutiable commodities, which had been 37.2 per cent under the act of 1862, became 47.1 per cent under that of 1864. It established protective duties more extreme than had been ventured on in any previous tariff act in American history."<sup>1</sup> These high duties were first considered as a temporary war measure, but they were retained, increased, and systematized in succeeding acts of 1872, 1875, 1883, and 1897, and not even partly removed until 1909. Not only manufactured articles were subject to heavy import taxes, but also many kinds of raw materials such as wool and hides. Under these restrictions there is no wonder that imports from China have been stunted to a certain extent.

(c) *The Inactivity and Failure of American Business Concerns in China.* It was also during this sub-period that the active American pioneer traders in China disappeared from the market. "It is probably no injustice to those who came later to the market to state that the American mercantile community in the East reached its zenith of development and vigor before the outbreak of the American Civil War. Dry-rot was already setting in and the domestic development of the United States was such that men of ability and character

<sup>1</sup> Taussig, *op cit.* p. 167.

equal to that of the pioneers in Asia could now find ampler rewards at home in the fields of manufacturing, banking, and transportation."<sup>1</sup> As a result of this condition the period of 1860-95 was characterized by the decay, withdrawal or failure of all the American mercantile houses famous before the treaties of Tientsin, and by the entrance of no new merchants who rose to equal eminence.<sup>2</sup> The failure of Elyphant and Company in December, 1878, and of Russell and Company in June, 1891, eliminated two of the most famous of the older American firms in China, and surrendered to British and German competitors a prestige and commercial leadership in China which the Americans have never regained even since the European War.<sup>3</sup> The new firms which had appeared after the Civil War were, with very few notable exceptions, not well supplied with capital, and sometimes inclined to speculations and methods which brought little credit to American trade.

(c) *Japan's competition in tea and silk market.* A more obvious reason for the slow increase of American trade with China is found in the severe competition which China began to suffer from Japan in her tea and silk trade with America. Before Commodore Perry's expedition to Japan to open this heretofore isolated country to international commerce in 1860, all the teas and a large part of all the silks imported into the United States came from China. So long as China held the monopoly of these two articles, and so long as there was a growing demand for them in this rapidly growing country, American imports therefrom could not fail to increase greatly. And increase of importation would in turn stimulate exportation thereto. But when Japan came into the American market, she at once became the strongest competitor of her Oriental sister; and in a comparatively short

<sup>1</sup> Tyler Dennett, *Americans in the Far East*, p. 348.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*



time her American silk and tea trade encroached tremendously upon that of China and almost completely ruined it.<sup>1</sup>

(d) *Depreciation of the value of silver.* There was another reason why the relative status of Chinese trade had been becoming constantly more and more insignificant to the United States. (The value of trade with China dropped steadily from 1860 to 1894 from three to less than two percent of the total American trade.) It was the consistent shrinkage in the value of silver in terms of gold. Although the volume of trade with China indicated a fairly steady, though slow, increase after the American Civil War, its value in American currency showed an actual shrinkage due to the declining gold value of silver. The increase in volume was not even sufficient to offset the decrease in value. While the trade was valued at \$22,472,605 in 1860, thirty years later it was only \$19,206,680.

The first column of the following table shows the rapid decline of the average annual dollar exchange of Haikwan Tael, the Chinese standard silver money for foreign trade. In 1871, one H. K. Tael was exchanged for \$1.58. Only twenty-four years later the gold value of the H. K. Tael dropped to \$0.77, not even half of its former value. As a result of this unfavorable exchange for China, purchases by the Chinese from America were naturally discouraged. That is the reason why American exports to China failed to show any increase in value and actually decreased during this period.

That American trade with China did make some irregular increase from the viewpoint of the Chinese, though not from that of the Americans, may be seen from the following table in which the trade is recorded in terms of the silver Haikwan Taels, and then converted into American dollars:

<sup>1</sup> For further information and discussion on Japanese competition, cf. Chs. on Tea and Silk, *infra*.

TABLE 4

Year	Rate of each 1 HK Tl	U. S. Imports from China		U. S. Exports to China		Total Direct Trade	
		In	In	In	In	In	In
		HK T 1000	\$1000	HK T 1000	\$1000	HK T 1000	\$1000
1871	\$1.58	10,358	16,366	449	710	10,807	17,067
1876	1.45	7,259	10,526	739	1,071	7,998	11,597
1881	1.37	10,222	16,867	3,300	4,505	13,523	21,372
1886	1.22	9,686	11,816	4,647	5,670	14,333	17,486
1891	1.20	9,034	10,840	7,732	9,278	16,765	20,188
1894	.77	9,264	7,133	16,443	12,661	25,706	19,794

Data from Chinese Maritime Customs Returns.

In the last two columns, those of total direct trade, we notice that the trade as recorded in silver value jumped from 10,807,000 HK Taels in 1871, to 25,706,000 HK Taels in 1894, an increase of nearly 120%. But when we value the same trade in gold the increase is only from \$17,067,000 to \$19,794,000, hardly twenty percent.

(e) *The ill-feeling between Americans and Chinese as a result of the problem of Chinese Immigration.* But in addition to all the causes enumerated above, there is still another which for the most part accounts for the dry-rot of Chino-American trade during this period. It is the consensus of opinion in business circles that good-will between buyers and sellers is the most effective agent for trade expansion. But during the later decades of the last century, China's good-will toward the United States was at least temporarily marred by a very unpleasant problem which resulted in the exclusion from the United States, of Chinese, not only laborers as provided in the Treaty of 1880, but very frequently discrimination against merchants and travelers. This exclusion was followed some years later by a Chinese boycott against American goods as a measure of retaliation. How could the Sino-American trade have had any rapid increase under such conditions?



Chinese immigration has been such a big problem in the United States that it has seriously engaged the attention of American economists, politicians, legislators, unionists, and writers for nearly thirty years. To give any full description of the question here is out of the scope of this treatise, but it concerns the history of American trade with China to such an extent that we must give it at least a passing notice in order to understand one important cause which deferred the rapid development of trade between these countries for at least one generation.

The root of Chinese immigration had been planted in the hideous "coolie trade," which we have already touched upon in a previous section. During the first few years of their coming, the Chinese, mostly in California, were welcomed, and looked upon with favor. But gradually a feeling of opposition to them began to grow up, fomented by the jealousy and race prejudice of the native miners.<sup>1</sup> Their different appearance and customs began to make them the objects of suspicion and hatred and the scapegoats for all the ills that afflicted these communities, and in time an anti-Chinese declaration came to be essential for the success of any political party or candidate. In such a state of public opinion it was inevitable that their lot should be a hard one. "They were robbed, beaten, murdered, and persecuted in a variety of ways. The foreign miners' license tax was used against them in a discriminating way which amounted to quasi-legal plunder."<sup>2</sup>

In response to the repeated demands of the coast states for some federal action to debar the Chinese, the United States Congress in 1876 appointed a special committee on Chinese immigration, which made what purported to be a thorough investigation of the matter, and reported thereupon. The report was wholly anti-Chinese. But this was inevitable, as it is apparent from a careful study of the testimony, that the

<sup>1</sup> Fairchild: *Immigration*, New York, 1913, p. 99.

<sup>2</sup> *Ibid.*, p. 101.

committee "came to its task committed to an Anti-Chinese conclusion and that it had no judicial character whatever."<sup>1</sup> "The evidence was willfully distorted to produce the desired result."<sup>2</sup>

During all this time the relations between the United States and China had been nominally subject to a series of treaties, including the famous Burlingame treaty of 1868,<sup>3</sup> by which the right of voluntary emigration was definitely recognized as between the two countries on the basis of the most favored nation clause, though "it was not to be interpreted to include the privilege of naturalization." It became evident that no federal legislation, satisfactory to the politicians of the western states could be secured under the existing treaties. After much conference between the representatives of the United States and China, a new treaty was signed in 1880, the most important feature of which was the right conferred upon the government of the United States reasonably to regulate, limit, or suspend, but not prohibit, the coming or residence of Chinese laborers, whenever it deemed that the interests of the country demanded such action. It is under this treaty that the various Chinese exclusion acts have been passed by the United States Congress. The first of these acts was passed in 1882, and provided for the exclusion of Chinese laborers for a period of ten years. The strictness of the exclusion was increased by the second act of 1888, and the terms were extended for another ten years by the act of 1892, and again indefinitely extended in 1902.

From the initial negotiations of the treaty of 1880, it is evident that the object of the American Government was to secure the prohibition of Chinese laborers only, and no other class, and to this the consent of the Chinese Government was given. "But as the exclusion law stood at the end of the

<sup>1</sup> Coolidge, Mary R., *Chinese Immigration*, p. 107.

<sup>2</sup> Fairchild, *op. cit.*, p. 102.

<sup>3</sup> See Chapter XIV., *infra*.



last century, aside from the four classes named in the treaty of 1894, viz, students, merchants, travellers, and officials, the following classes could not enter the United States, to wit: bankers, lawyers, journalists, priests, and the clergy, physicians, dentists, insurance agents, brokers, and travelling commercial agents. . . . In fact, the laws on the subject seemed to be in such a state of hopeless confusion that "different Attorney-Generals of the United States rendered conflicting opinions as to the meaning of certain requirements, with the result that the Chinese immigrants whether resident merchants or travelling agents, were made to suffer great hardship in their attempt to land in the United States, and after being admitted, they were incessantly harassed by immigration agents of the Government with domiciliary visits and unreasonable interruptions while pursuing their lawful business in this country."<sup>1</sup>

The bad effects which the immigration problem entailed on the Chino-American trade may be briefly enumerated as follows:

First, it hurt the tender feelings of the Chinese and for a long time nullified their good will toward the Americans which they had entertained since direct trade was established between these two peoples. This resulted inevitably in antagonism to the use of American goods, which culminated in a violent boycott movement against everything American.

Secondly, the unreasonable hampering of the coming to this country of such Chinese as bankers, journalists, lawyers, insurance agents, brokers, travelling commercial agents and other professional men naturally debarred the Chinese from taking active part in the import and export trade of the United States. This fact, coupled with the declining interest of American business men in trade with China owing to the

<sup>1</sup> See "boycott" in the following chapter.

<sup>2</sup> *Commercial Relations between the U. S. and China*, by Sir Chan-tung Liang Cheng, Chinese Minister to Washington, *Harper's Weekly*, Dec. 23, 1905, p. 1860 and p. 1877.

internal development of the United States, accounts largely for the tardiness in the growth of Chino-American trade.

### *Composition of the Trade*

During this sub-period, the composition of the Chinese-American trade experienced one important change, viz., the introduction of many new articles which were to play important rôles in later periods. Drugs, dyes, chemicals, straw materials for hats and bonnets, vegetable oils, hides and skins, furs and wool, one after another entered into the list of imports from China while to the exports from the United States were added tobacco and mineral oils. Tea and silk, nevertheless, retained their leading positions among the imports, and cotton goods among the exports. This period may be looked upon as one of transition. Table 5 shows the annual value of some important items of the trade at five-year intervals.

### *Balance of Trade and Specie Shipment*

Beginning with 1871, when the exportation of specie and bullion from America to China and Hongkong was separately reported, we can calculate the balance of trade down to 1894 as shown in Table 6. The interesting features of this table are: first, that the trade of China as a whole was still consistently in favor of China as it had been in previous periods; second, that the condition is just the reverse with the Hongkong trade whose balance was then, as now still is, consistently against Hongkong. If we assume the Hongkong trade as largely a part of the trade of China and offset the two opposite balances in corresponding years we get a net balance amounting to \$300,467,239 for a period of twenty-four years.

The consistent exports of silver and gold from America to the Orient as shown in the last column were doubtless for the part payment of this enormous trade balance. From 1875 on, when separate statistics for China and for Hongkong have become available, specie imports from and exports to China showed great fluctuations; sometimes a net import, as



TABLE 5  
COMPOSITION OF AMERICAN TRADE WITH CHINA

Article	1870 \$1,000	1875 \$1,000	1880 \$1,000	1885 \$1,000	1890 \$1,000
Imports from China:					
Tea .....	9,796	8,746	9,995	8,039	6,858
Silk, raw and mfrs. ....	477	682	6,937	3,787	4,466
Drugs, dyes, opium. ....	650	540	1,089	346	407
Hats, bonnets, material of	216	446	829	980	892
Vegetable oils .....	95	200	162	189	140
Hemp, jute, and mfrs. of.	375	409	529	37	5
Rice and rice flour. ....	520	931	980	730	603
Spices, sugar, and fruits..	859	574	311	181	150
Hides and skins. ....	....	....	70	380	130
Furs .....	....	....	....	222	292
Wool .....	....	....	....	103	814
Wool and cotton clothing.	75	80	77	156	86
Other articles .....	1,566	872	1,620	1,142	1,417
Total .....	14,629	13,480	21,770	16,292	16,260
Exports to China:					
Cotton mfrs. ....	626	553	339	3,443	1,231
Coal .....	620	53	10	3	1
Iron and steel mfrs. ....	114	134	41	802	74
Mineral oil .....	142	411	366	1,455	1,301
Tobacco .....	39	11	5	14	41
Wheat and flour. ....	839	35	66	46	59
Other articles .....	667	268	274	743	243
Total .....	3,047	1,466	1,101	6,396	2,944

in 1875 and 1876, usually extremely small, but amounting in 1887 to half a million dollars. When combined with Hongkong, however, a net export of considerable quantities is shown. In this table it is indicated that \$207,320,000 worth of specie and bullion was sent to Hongkong and China, which amounts to little more than two-thirds of the net trade balance during the same period. How the remaining one-third was paid by the Americans we have no way of knowing. A fair guess is that it was paid, as formerly, by bills

on London, or on continental countries, because the balance of Chinese-European trade was, contrary to the present case, invariably against China to a very considerable amount.

TABLE 6  
BALANCES OF AMERICAN TRADE WITH CHINA AND HONGKONG AND  
NET SPECIE SHIPMENTS THERETO, 1871-94  
Unit = \$1,000

Year	Balance in Favor of China	Balance against Hongkong	Net Balance in Favor of China and Hongkong	Specie (Net) Exported from U. S. A. to China and Hongkong
1871.....	17,994	*	17,994	3,570
1872.....	23,816	*	23,816	5,999
1873.....	25,291	*	25,291	7,154
1874.....	17,276	*	17,276	9,341
1875.....	12,009	899	11,110	6,596
1876.....	10,964	2,446	8,118	7,923
1877.....	9,423	2,059	7,364	15,420
1878.....	12,283	1,030	11,253	16,205
1879.....	13,780	1,637	12,142	7,297
1880.....	20,668	626	20,042	6,422
1881.....	16,870	517	16,353	3,437
1882.....	14,318	804	13,515	4,414
1883.....	16,061	1,859	14,202	6,948
1884.....	10,990	1,579	9,411	9,336
1885.....	9,896	3,165	6,230	14,572
1886.....	11,450	2,984	8,469	10,245
1887.....	12,830	1,548	11,283	10,713
1888.....	12,108	1,906	10,202	7,552
1889.....	11,237	2,206	9,031	14,035
1890.....	13,314	3,469	9,845	10,421
1891.....	10,621	4,205	6,415	4,646
1892.....	14,825	4,131	10,794	7,430
1893.....	16,731	3,339	13,398	8,535
1894.....	11,273	3,317	7,955	9,111
Total of 24 yrs.	34,034	41,527	300,467	207,320

\* Before 1874, inclusive, American-Hongkong trade was included in American-Chinese trade.



### CHAPTER III

#### THE PERIOD OF DISTURBANCES AND SEVERE COMPETITION, 1895-1913

For at least two reasons the close of the Sino-Japanese War in 1895 may serve as a clear line of demarcation between the previous and the present period. First, the war led to a series of more or less connected disturbances in the Orient, which had a great effect upon American trade over there as well as upon that of other countries. The defeat of China awakened the Chinese and resulted in the phenomenal reorganization of the Chinese Government by the progressives in 1898. This in turn had its reaction in the restoration of political power to the conservatives. The Boxer trouble followed in immediate succession in 1899, and then the Russo-Japanese War in 1904-5. As a final issue of the unpleasant problem of Chinese immigration in this country, a violent Chinese boycott movement arose in 1905 against American trade. Five years later, the Chinese Revolution marked a complete upset of old Chinese tradition, socially, politically and economically. On the other side of the Pacific the purchase of Alaska, the annexation of the Hawaii Islands, the occupation of the Philippines and the excavation of the Panama Canal gave the United States a new commercial status in the Pacific. All these disturbances had their respective effects in shaping American trade with China.

Secondly, the Sino-Japanese War marks the beginning of an era in which the severity of international competition for Chinese trade was to attain its zenith. Although China's lack of military strength had become well known since her defeat in the Opium War in 1842, it was still not so completely revealed to the Western World as after her war with Japan. Led by Japan, to which Formosa was ceded, and Russia, to

#### PERIOD OF DISTURBANCES AND COMPETITION 45

which Southern Manchuria was leased, Great Britain, France, Germany, and even at one time, Italy, all rushed into this vast empire with a common land-grabbing policy. Permanent leases were granted and spheres of influence were at once created in various places. All of them, with the single exception of the United States, wanted nothing less than complete colonization of the Far East.

Moreover, the rapid expansion of the privileges of foreigners in China dates from the Treaty of Shimmonosiki between Japan and China in 1895<sup>1</sup> as a result of this important war. This was followed by another Sino-Japanese commercial treaty in the following year.<sup>2</sup> The important features of the two treaties were that they opened the waters of the Chinese rivers and canals to citizens of other nations, giving the foreigners the right to purchase goods or produce in the interior of China, to rent warehouses without the payment of special taxes, and to engage freely in all kinds of manufacturing industries in the treaty ports; also to import all kinds of machinery, paying only the stipulated import duties thereon, and upon products manufactured by them in China, paying only such inland transit dues as are leviable on imported merchandise. (The latter provision having been somewhat modified, however, by commercial treaty.) While the Sino-Japanese treaty specifically conferred these privileges only upon Japanese subjects, they at once became applicable to the peoples of other nations having full treaty relations with China under the "most favored nation" principle. The prompt result of this complete opening of China, so ruinous to her own industry and commerce, was a movement from all parts of the business world in the direction of the East.

In fact, business competition in China had become so keen that the complete opening of China, hitherto so much desired

<sup>1</sup> MacMurray, *Treaties and Agreements with and Concerning China*, No. 1895/3, p. 18 ff.

<sup>2</sup> *Ibid.*, No. 1896/4, p. 68 ff.



by foreigners, now turned out to be the chief element in their dissatisfaction. Each of the western powers attempted to close the door of certain provinces in China in the face of others, in order that they might exterminate competition by preferential rights. In such a state of affairs it is no wonder that the United States, with no intention of colonizing any part of China, should have been handicapped in her trade with that country. It was to remove this handicap that the United States, through Secretary Hay's able speech, declared her policy of the Open Door of China.<sup>1</sup>

It has been noted that the decline of American trade with China in the later years of the nineteenth century was partly due to the internal development of America, which absorbed all her capital and engaged the full energy of her people. But with the close of the last century, her internal development had attained almost full completion, and therefore both capital and capability could be partly released from domestic enterprises and put back again into the development of foreign commerce. In addition it was necessary that the huge home industry of America should find an outlet for its products outside its own territory. It also needed such raw materials as could not be adequately supplied by its own soil. Foreign trade, therefore, now came to attract its attention. But for the United States both as a buyer and a seller, South America was then a better market than the Far East. The Americans did not fail to see, however, that the Orient would in the near future come out as one of the biggest markets in the world. For this reason, their interest in foreign trade was diverted towards the East. That they now had an intense interest in the Far Eastern trade was evidenced not only by the declaration of the Open Door Policy in China but also by the acquisition of the Philippines and the proposed excavation of the Panama Canal. With the increasing trade interest there was also the gradual increase in the quantity of Chino-American trade. Table 7 gives the complete trade

<sup>1</sup> See Chapter 14, *infra*.

statistics for this period of twenty years. The absolute volume of trade was decidedly on the increase, although the increase was quite irregular. In 1896 the total Chino-American trade amounted to a value of \$29,000,000. In the following five years, trade increased rather consistently until in 1900 it reached a total of \$42,156,000. But in the next year, 1901, the value suffered a severe decline of 32%, which might have been due to the disturbing effect of the Boxer trouble in the northern provinces of China, although there has been no detailed and accurate estimate of the loss in trade which the United States suffered from this anti-foreigns uprising. The American Consul of Chefoo reported in 1901<sup>1</sup> that in his estimation the loss to the American cotton trade alone was over \$3,000,000.

But the temporary disturbance passed over quickly and American trade with China had fully recovered in 1902. In 1905 and 1906 due to the Russo-Japanese War the trade attained its high water mark, the great demand for war materials and provisions in Manchuria being the cause of this phenomenal expansion.

As soon as the war demand in Manchuria for food and provisions dwindled, the volume of American trade again decreased to a pre-war figure, and remained around the \$50,000,000 mark, making no substantial increase until 1914.

### *The Comparative Importance of the Trade*

Although the absolute volume of trade in this period shows some increase, its comparative importance did not change, so far as China is concerned. Table 8 shows the distribution of China's foreign trade by countries:

In 1896 the American share was 6.7%. This increased to 15.0% in 1905 and then again declined to 7.6% in 1913. Its variations year after year represent a fairly normal bell-shaped curve; the end does not much exceed the beginning.

<sup>1</sup> U. S. Bureau of Statistics (Treas. Dept.) *Commercial China* 1901, p. 2827 ff.



TABLE 7  
VALUE OF AMERICAN IMPORTS FROM AND EXPORTS TO CHINA AND HONGKONG, 1895-1913. Unit = \$1,000.

Year ending June 30	China			China, Leased Territories			Hongkong <sup>1</sup>			Total		
	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total
1895	20,546	3,604	24,150	....	....	....	776	4,253	5,029	21,322	7,857	29,179
1896	22,023	6,922	28,945	....	....	....	1,416	4,691	6,110	23,442	11,613	35,055
1897	20,404	11,924	32,328	....	....	....	924	6,060	6,984	21,328	17,984	39,312
1898	20,326	9,993	30,319	....	....	....	747	6,265	7,012	21,073	16,258	37,331
1899	18,619	14,493	33,112	....	....	....	2,479	7,733	10,212	21,098	22,226	43,325
1900	26,897	15,259	42,156	5	367	372	1,256	8,486	9,742	28,158	24,112	52,270
1901	18,304	10,406	28,710	....	377	377	1,416	8,010	9,426	19,720	18,793	38,513
1902	21,056	24,723	45,779	8	539	547	1,278	8,030	9,308	22,342	33,292	55,634
1903	26,649	18,898	45,547	24	711	735	1,360	8,772	10,132	28,033	28,381	56,414
1904	29,345	12,862	42,207	8	618	626	1,519	10,459	11,978	30,872	23,939	54,811
1905	27,885	53,453	81,338	2	172	174	1,552	10,770	12,322	29,439	64,395	93,834
1906	28,531	43,774	72,305	36	251	287	1,829	7,049	8,874	30,396	51,070	81,466
1907	33,437	25,705	59,141	200	1,913	2,113	2,741	8,332	11,073	36,378	35,950	72,328
1908	26,021	22,344	48,365	579	8,677	9,256	2,129	8,975	11,104	28,729	39,996	68,825
1909	28,799	19,420	48,219	644	529	1,173	1,769	7,268	9,037	31,212	27,217	58,429
1910	29,990	16,321	46,311	1,308	650	1,958	2,332	6,467	8,799	33,630	23,438	57,068
1911	34,228	19,288	53,516	1,053	935	1,988	2,718	7,756	10,474	37,999	27,979	65,978
1912	29,574	24,361	53,935	886	926	1,812	3,115	10,334	13,449	33,575	35,621	69,195
1913	39,011	21,327	60,338	745	1,113	1,858	4,020	10,431	14,451	43,776	32,871	76,647

<sup>1</sup> See Ch. II, p. 17, *supra*, and Ch. IV, footnote on Hongkong Allowance, *infra*.

TABLE 8  
DISTRIBUTION OF THE FOREIGN TRADE OF CHINA TO THE FOLLOWING COUNTRIES IN PERCENTAGES

Year	U. S. of America	Great Britain	British India	Europe except Russia	Russia and Siberia	Germany	France	Japan	Hong- kong
1896	6.7%	16.5%	7.4%	8.0%	5.0%	....	....	8.4%	42.5%
1899	9.5	11.7	7.8	10.2	2.2	....	....	11.5	41.6
1902	10.5	12.8	6.8	10.8	8.1	....	....	12.2	40.8
1905	15.0	14.9	5.5	9.8	4.3	....	....	14.0	31.4
1908	9.9	12.7	5.1	....	5.4	3.1%	5.8%	15.3	36.1
1911	8.7	12.4	4.9	...	4.8	4.2	5.4	17.1	29.3
1913	7.6	11.4	5.5	...	6.0	4.5	5.3	19.7	29.1

Data computed from the China's Maritime Customs Returns.



The share of Great Britain, including that of British India, shows a downward trend while Japan's share represents a consistent increase, more than doubling in twenty years. The share of Continental Europe was also increasing, especially that of Germany.

Turning to the other side, we notice a downward trend in the importance of Chinese trade to the United States. During this period American trade with the Far East as a whole expanded, especially trade with Japan and the British East Indies. But the reverse is the case with Chino-American trade.

TABLE 9

Percentages of total values of imports from and exports to the Oriental countries computed on the total values of imports and exports of the United States as bases.

Year	China			Hongkong			Japan		
	Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total
1895	2.81	0.45	1.57	0.11	0.53	0.33	3.24	0.57	1.84
1900	3.18	1.10	1.88	0.15	0.62	0.43	3.84	2.08	2.74
1905	2.51	3.52	3.08	0.14	0.71	0.47	4.64	3.40	3.92
1910	1.92	0.94	1.40	0.15	0.37	0.26	4.26	1.26	2.68
1913	2.15	0.87	1.48	0.22	0.42	0.33	5.05	2.35	4.00

Year	British East Indies			Dutch East Indies		
	Imp.	Exp.	Total	Imp.	Exp.	Total
1895.....	2.90	0.35	1.57	1.06	0.14	0.58
1900.....	5.34	0.34	2.24	3.28	0.11	1.31
1905.....	4.80	0.50	2.32	1.65	0.11	0.76
1910.....	4.53	0.54	2.43	0.68	0.13	0.39
1913.....	6.41	0.61	3.28	0.34	0.13	0.25

In 1900 American imports from China amounted to 3.18% of the total imports of the United States; ten years later it dropped to 1.92% recovering only slightly in 1913, when it reached 2.15%. In the former year exports to China were

1.10% of the total American exports; in the latter year its percentage decreased to 0.94% and again to 0.87% in 1913. As a whole, the trade with China diminished from 1.57% in 1895 to 1.40% in 1910 and 1.48% in 1913, while that with Japan increased in the same period from 1.84% to 4.00%, and that with British East Indies from 1.57% to 3.28%. (See Table 9.)

The decline in the relative importance of Chinese trade to the United States may be expressed in another way: In 1900 China was the tenth best customer for American goods, in 1913 her rank dropped to the thirteenth. In 1900 she ranked sixth among the countries importing goods from the United States, but in 1913 her place was again relegated to ninth.

So marked a decline naturally attracts attention and requires explanation. But if we explain the development of the trade in the early half of the period by the renewal of commercial interest of the Americans in the Far East, by the complete opening of China, not only to foreign traders, but also to foreign manufacturers, and also by the temporary war demand for food and clothing in Manchuria, how shall we explain its decline in the latter half?

#### *Decline of American Exports to China after 1905*

The decline of American trade with China after 1905 was especially marked in the exports to China and it may be graphically pictured in the successive dropping of figures. In 1905 American exports to China, including Hongkong, were valued at sixty-four million dollars, the first drop was from this figure to fifty-one millions in 1906, then to thirty-six millions in 1907. It rose a little to forty millions in 1908,<sup>1</sup> only to drop again to twenty-nine millions in 1909, and finally to twenty-three millions in 1910, only a little more than one-fourth of the maximum figure of five years

<sup>1</sup> This unusual rise was due to heavy exports of railroad materials and equipment to South Manchuria.



previous.<sup>1</sup> After 1910 it gradually recovered, but in 1913 it still did not exceed thirty-three millions.<sup>2</sup>

#### *Reasons for the Decline*

(a) *Foreign Competition in China.* The first and the most obvious reason for this serious decline was the very keen competition among manufacturers and traders of various countries seeking a market in that country for their growing output. As to the degree of keenness of such competition we get a vivid impression from the following passages graphically presented by Mr. F. McCormick, an expert in the trade of the Far East thirteen years ago:<sup>3</sup>

"Previous to the beginning of the present century foreign goods were laid down on the seaboard docks in China, and, it might be said, left for the Chinese to carry away as they chose. . . . Now the foreign trader has been forced by competition to go into the highways and byways himself. Today over China's highways plod the consular official, compiling trade reports, the civilian inspector, as well as the foreign trader himself; and even the foreign itinerant vendor hawking patent medicines, etc. In Manchuria, foreign traders are surprised to find Japanese hucksters. Even the unadvanced Russia has come into trade conflict with China in Mongolia. It is an active question with England and Russia as to how to deal with the Japanese match trade in Tibet, while under the shadow of the Long White Mountain, on the Korean frontier, Osaka knives are contending with Solingen blades for the favor of the Yalu lumbermen. . . ."

In this new state of competition American trade failed to discover its true position. America, which had the flower of the Russo-Japanese war trade in 1905, was the only country that did not share the post-bellum prosperity in the Far East. Japan and Germany reaped the profit of this prosperity, Great Britain held her own, while America fell behind.

Of all the countries whose commerce with China was either outstripping or beginning to outstrip America's share,

<sup>1</sup> 1905.

<sup>2</sup> See Table 7.

<sup>3</sup> *American Defeat in the Pacific*, by F. McCormick. *The Outlook*, Vol. 97, p. 68, Jan., 1911.

Germany and Japan were the most strenuous in their efforts to gain a victory in the trade tournament of the Far East. The former made a large investment in her general commerce in China, where her efforts were more strenuous, perhaps, than those of any other power. She minutely and efficiently organized the entire commercial field of China by extending her official system while her traders made what was then admitted to be a "successful conquest of the market" through extensive credits.

The commerce of Japan in China was also formidable at that time since it was most elaborately supported by subsidies, loans, and official encouragement. Japan, with Manchurian coal, successfully competed not only with American coal but also with the Chinese mines. Japanese flour mills in Darien, financed by Government money loaned at four percent, also met all competition.<sup>1</sup> This cut into the American flour trade, losses in which were not compensated by the additional trade in American milling machinery extensively used in Manchuria. The development of the Hokkaido and the Yalu River timber zones by Japan also diminished American timber exports from the Pacific Coast. In 1907, the Japanese even built certain kinds of rolling stock for the South Manchurian Railway of better finish and material at less cost than that supplied by American builders.<sup>1</sup> Although Americans were great steel producers, Japan had even entered the warship competition and many contracts for the construction of smaller-sized Chinese gun-boats were granted to the Japanese builders.<sup>1</sup>

It was chiefly in cotton goods and mineral oils that American trade with China declined during this period. The falling off of cotton goods was caused by the fact that cotton production had been stimulated in China and that large quantities of cotton yarn were secured from India owing to advances in the price of American raw cotton. The latter reason is important because it is related to the rise of

<sup>1</sup> *Ibid.*



Japanese cotton industries and Japanese invasion of the commerce and trade of all nations in Eastern Asia. Japan, therefore, with her formidable tools of trade competition, such as the national assistance to all her important industries after the Russo-Japanese War, the subsidizing of her merchant marine, the investment of imperial funds in industries, the extension of state monopolies of salt, camphor, tobacco, and the railways might be regarded as having made a formidable onslaught upon American trade in China in the lines of cottons, timber, flour, and some other manufactures.

It was not only Japan, however, that "slaughtered" American trade in China. In the two items where the decline was most significant—namely, cottons and oil—India, Russia, and the Dutch East Indies had profited by nearly the whole of America's loss. In steel and machinery, Great Britain, Germany, France, and Belgium had taken the trade.

(b) *Boycott in China Against America.* In such a state of keen competition, the good-will of the customer would naturally count a great deal in determining to whom his trade should go. But just at this juncture, China's good-will was lost to America, because of the latter's unjust treatment of the problem of Chinese immigration. The severity of the terms of the Exclusion Act and of the rules regulating the admission of Chinese to the United States was for a time so intolerable to the Chinese that they decided in 1905 to boycott the Americans as a measure of protest and retaliation.

The immediate cause of this boycott movement appears to have been the impending negotiation for a renewal of the Chinese immigration treaty of 1894. The treaty had been denounced in 1904 by the Chinese Minister at Washington because of the mistreatment of Chinese merchants, students, and travelers, such action having become peculiarly "flagrant" after 1899. In May, 1905, the leading merchant guilds and the gentry of Shanghai held a meeting at the Chamber of Commerce, and decided to request Chinese

merchants throughout the empire to stop ordering goods from the United States as a protest against the severe terms of the proposed new Chinese exclusion treaty. In a few days the movement had the endorsement of the gentry, merchants and school teachers of twenty-five treaty ports in China, while Chinese all over the world telegraphed their approval of the action.<sup>1</sup>

But under the enthusiastic guidance of the more violent elements of the society, the movement began to take on the aspect of a general anti-foreign agitation. Remembering the Boxer outbreak, foreigners were more alarmed by this dangerous anti-foreign complexion than by the danger of trade interests. The Chinese Government also feared that the movement might get beyond control and become an excuse for another uprising by the revolutionary elements of the society.

In compliance with the request of the American Government, the Chinese Government issued an imperial edict, warning the people to respect every treaty stipulation under penalty of severe punishment, and pacifying them by the statement that the friendship with the United States was of long standing and that the American Government had promised to discuss the immigration treaty on friendly terms.<sup>2</sup> The viceroys and governors of the various provinces were ordered to issue similar proclamations and were held responsible for "any disorders" and directed to arrest violent agitators. But it was not until President Roosevelt was prompted to take action toward remedying to a certain extent the grievances complained of in the new treaty with China that the movement became quiet on the surface.

The effect of this rather short-lived movement was, however, far-reaching. Although American exports to China reached their greatest value in the very year of the boycott, it should be noted that the demand for American food and

<sup>1</sup> *North China Herald*, July 7, 1905.

<sup>2</sup> U. S. Cong. Doc., 1905-6, S. N. 4641, 225.



clothing came largely from the Japanese and Russian soldiers in Manchuria. The successive decline of American exports to China in the following years, while those of other countries were on the increase, is a clear indication that China did not prefer American goods to those of other countries, because of the ill-feeling toward the Americans. This ill-feeling did not completely disappear until the refunding by the United States of the Boxer Indemnity to China in 1908 and her early recognition of the Chinese Republic in 1912. Since then China has realized that the United States is after all her best friend, and the recovery of good will is directly expressed in the gradual increase of American exports to China since 1910.

(c) *The Control of Industrial Development in China by European Capital.* Coupled with the above two main causes is a third cause which explains the stationary status of American trade with China after the Russo-Japanese War: that is, the control of industrial development in China by European capital. American trade was checked by the "monopolizing" of China's trade by foreign nations through their loans to China. It is customary, in making loans to China, for the lenders to benefit by the expenditure of the money. In this way for several years China's orders for steel and railway machinery, mining machinery, arsenal equipment, woolen, cotton, and silk spinning and weaving machinery, leather machinery, minting machinery, and also equipment for steel plants and iron works, were placed in Europe. America during these years could secure only orders for insignificant quantities of electrical supplies, fine printing materials, etc., which could not be obtained elsewhere. The capitalistic nations of Europe were benefited by the Chinese industrial development and by America's losses.

#### *Steady Increase in American Imports from China*

Having mentioned the causes of the comparative decline

of American exports to China and noted some of its features, we shall now investigate the reasons why American imports from China had also been stationary in the face of expected expansion. These reasons are not difficult to perceive. First, the strong Japanese competition in the American silk market, and the no less strong competition of the British East Indies in the American tea market had blocked the entrance of the two articles which had hitherto occupied the most important position among the articles imported from China. Second, the delay in the development of the vast mineral and agricultural resources of China was also a serious check to further development of American imports therefrom, because the Chinese had few things which were in great demand in America.

In spite of these unfavorable conditions, American imports from China did show some steady increase during this period. In 1895, the total imports from China including Hongkong were valued at twenty-one million dollars; ten years later, they were twenty-nine millions; and in 1913, forty-four millions. Even making allowance for the nominal increase during the upward movement of the general price level, the real increase of the trade is still apparent. But this is nothing more than a normal increase, keeping in nearly even pace the total volume of American imports and Chinese exports.

#### *Composition of the Trade*

Table 10 is a condensed list of some important articles exported from America to China. Not more than a score of these items exceed in annual value one hundred thousand dollars.

Among all exports, cotton cloth had held the greatest share until the end of the period. Before 1905, it usually amounted from a half to two-thirds of the value of the total exports. China was then the second largest market for



cotton piece goods, second only to British India.<sup>1</sup> In 1905, the sale of American cotton goods had attained its zenith in China, amounting to \$27,761,000. This market occupied the first rank in American cotton-goods export trade. But since that year, cotton goods export have rapidly declined both in absolute value and in relative importance, as is clearly shown in the table. The loss of this trade, as has been already briefly stated above and will be discussed more fully in a later chapter on cotton goods, was primarily due to the competition of Japanese and Chinese cotton mills, which secured an advantage in the use of cheaper raw material from China and India and in the lower cost of production.

The second important item of American exports was refined mineral oils. Although competition in the oil market in China was very keen, the United States had been able to hold its own throughout the whole period. Oil trade had been steadily increasing in its absolute volume, although its relative importance fluctuated widely from thirty-eight percent of the total exports (1907) to twenty percent (1912).<sup>2</sup>

Tobacco, both manufactured and unmanufactured, held the third place. The increase in its absolute and relative importance as an article of American-Chinese trade was very significant. In 1895, the value of tobacco exports was only a little more than one hundred thousand dollars, and this amount is less than three percent of the total American exports to China. Very rapidly the Chinese were getting the habit of using American tobacco, and in less than twenty years the total value of American tobacco exported to China amounted to more than two million dollars, being nearly ten percent of the total exports.<sup>3</sup>

The fourth place in importance was held by iron and steel machinery and other products. Before 1895, very little

<sup>1</sup> U. S. Bureau of Foreign and Domestic Commerce, Special Agents Series No. 107, *Cotton Goods in China*, p. 5.

<sup>2</sup> See Chapter 11 on Mineral Oil, *infra*.

<sup>3</sup> See Chapter 12 on Tobacco, *infra*.

TABLE 10  
COMPOSITION OF AMERICAN EXPORTS TO CHINA, INCLUDING LEASED TERRITORIES, 1895-1913

Article	1895		1898		1901		1903	
	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1 Bread Stuff, excluding wheat flour.....	9	0.2	21	0.2	144	1.3	30	0.2
2 Bread Stuff, wheat flour.....	104	2.9	89	0.9	334	3.1	564	2.9
3 Cars, carriages and parts.....	.....	.....	.....	.....	.....	.....	.....	.....
4 Copper, ingots, bars, plates, etc.....	.....	.....	.....	.....	.....	.....	.....	.....
5 Cotton cloth.....	1,703	47.3	5,196	52.0	4,553	42.5	13,690	69.6
6 Cotton, unmanufactured.....	.....	.....	371	3.7	.....	.....	123	0.6
7 Fruits and nuts.....	14	0.4	32	0.3	81	0.8	56	0.3
8 Iron and steel, machinery.....	.....	.....	121	1.2	284	2.6	25	0.1
9 Iron and steel, other mfrs.....	118	3.3	244	2.4	554	5.1	558	2.8
10 Meat, dairy products and other provisions.....	35	1.0	76	0.8	427	4.0	166	0.8
11 Leather and tanned skins.....	3	0.1	5	0.1	28	0.3	24	0.1
12 Oils, mineral, refined.....	1,181	32.8	2,865	28.7	2,445	22.7	1,866	9.5
13 Paraffin and wax.....	.....	.....	.....	.....	.....	.....	.....	.....
14 Tobacco, manufactured.....	105	2.9	328	3.3	522	4.9	701	3.6
15 Tobacco, unmanufactured.....	1	.....	18	0.2	25	0.2	11	0.1
16 Wood, boards and planks.....	65	1.8	120	1.2	138	1.3	314	1.6
17 Wood, manufactures of.....	24	0.7	48	0.5	201	2.7	304	1.5
18 Other articles.....	242	6.7	7450	4.6	957	8.9	1,178	6.0
Total American exports to China.....	3,604	100.0	9,993	100.0	10,783	100.0	19,610	100.0



TABLE 10—Continued

Item No.	1905		1907		1909		1911		1912		1913	
	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1.....	293	0.5	1,433	5.0	32	0.2	44	0.2	57	.02	50	0.2
2.....	318	0.6	6,312	23.0	266	1.3	1,089	5.4	2,900	11.4	493	2.2
3.....	.....	.....	279	1.0	166	0.8	71	0.3	116	0.5	233	1.0
4.....	9,941	18.5	270	1.0	.....	.....	.....	.....	164	0.6	1	....
5.....	27,761	51.6	5,714	20.7	8,004	40.0	5,293	26.2	7,372	29.0	5,585	2.48
6.....	176	0.3	301	1.1	22	0.1	.....	.....	2,591	10.1	464	2.1
7.....	60	0.1	90	0.3	49	0.2	46	0.2	65	0.3	78	0.3
8.....	287	0.5	145	0.5	303	1.5	481	2.4	580	2.3	786	3.5
9.....	1,000	1.9	1,736	6.3	946	4.7	1,715	8.5	2,175	8.5	2,195	9.7
10.....	1,016	1.9	197	0.7	97	0.5	62	0.3	134	0.5	143	0.6
11.....	135	0.3	133	0.5	81	0.4	93	0.5	100	0.4	123	0.5
12.....	8,527	15.9	6,154	22.3	7,552	38.0	7,300	36.1	5,182	20.3	6,699	29.8
13.....	.....	.....	97	0.3	85	0.4	377	1.9	424	1.7	419	1.9
14.....	1,439	2.7	1,428	5.2	964	4.8	576	2.8	824	3.2	1,065	4.7
15.....	460	0.9	358	1.3	274	1.4	764	3.8	937	3.7	1,067	4.7
16.....	414	0.8	976	3.5	357	1.8	1,019	5.0	338	1.3	864	3.8
17.....	275	0.5	606	2.2	37	0.2	261	1.3	166	0.6	230	1.0
18.....	1,523	2.8	1,388	5.0	714	3.6	1,032	5.1	1,162	4.6	1,317	5.8
Total.....	53,625	100.0	27,517	100.0	19,949	100.0	20,223	100.0	25,287	100.0	22,512	100.0

American machinery was sold in China; her demand for machinery had been largely supplied by Great Britain, Germany, and Belgium. The reason has been stated in a previous section as the control of China's industrial development by European capital.<sup>1</sup> But as their merits gradually became known in China, trade in American machinery was the inevitable result. Other products such as iron plates, wires, nails, tools, etc., had had a wider market since the closing years of the last period. In 1908 Manchuria alone bought from America one hundred and ninety-eight locomotives valued at \$3,059,873; 31,454 tons of steel rails, valued at \$1,121,199; and 11,560 tons of iron and steel structure materials, at \$860,469. But this was not a normal condition of the trade. Fluctuations in the iron and steel trade were violent from year to year, but at the end of the period China's demand for these products became fairly steady. The volume of their sales usually amounted to from ten to twelve percent of the total exports.<sup>2</sup>

Then came bread stuffs, especially wheat flour, as the fifth item in importance. During the closing years of the nineteenth century the annual exports of American wheat flour and other bread stuffs amounted to scarcely more than \$100,000 in value, but since the beginning of the new century most Chinese were beginning to use foreign flour and the Americans were quick to grasp the chance to extend their trade. In 1907 the sales of wheat flour alone amounted to \$6,312,000, and of other bread stuffs, to \$1,433,000. Combined they reached a total amounting to twenty-eight percent of the total American exports to China in that year. This temporary success suggested to the wheat men of Washington and Oregon that here was an opportunity of developing a large and profitable market for the product of their mills.<sup>3</sup> But China's demand for American flour was any-

<sup>1</sup> See page 92, *supra*.

<sup>2</sup> See Chapter 13, *infra*.

<sup>3</sup> American Trade with China, by L. R. Freeman, *Engineering Magazine*, Jan., 1914, p. 502.



thing but constant, and in a short time she was supplying her people with flour from her own mills. Exports of bread-stuffs to China had therefore declined rapidly since 1907.

Other articles of export such as cars, carriages, and leather goods were also on the increase. Wood boards and planks and other manufactures had a fair share in the trade. Trade in copper had been extremely irregular, ranging from nothing in some years to \$9,941,000 in 1905. Fruits and nuts had been exported from America to China since the middle of the nineteenth century, but the expensiveness of trade in such perishable products over so long a distance had never warranted any substantial increase in the trade, which had never exceeded the \$100,000 mark in any year of the period. This was also true in the case of meat and dairy products, except condensed milk and some other canned goods.

Besides these items enumerated in the list, there were several other articles of export, such as clocks, watches, instruments for scientific purposes, chemicals, drugs, and dyes; electrical machinery and appliances, books and other paper products, etc., for each of which the annual value of trade usually stood below \$100,000.

One significant tendency in the American export trade with China as revealed by a general survey of the above table is that products of a simpler form of manufacturing industry were as a whole tending to decrease while those of the highly complex industry were on the increase. Wheat flour and cotton cloth are things of the former type, and China could well develop her own mills and factories to supply them; therefore, their markets in China were rapidly declining. On the other hand, iron and steel machinery and other products, cars, and carriages, etc., are things whose production must be carried on by highly developed large-scale industries such as cannot be installed in China at a

moment's notice. Consequently, their market in China was expanding.

Another characteristic is that American exports of producer's goods to China were just beginning to play a very important role in their trade. Before this time, practically all exports from America to China consisted of consumers' goods. Trade in machinery, materials for construction work, cars, and locomotives, etc., was insignificant. But with the dawn of industrial China her demand for producers' goods became more and more important.

Both these tendencies will express themselves more fully in the next period. The present period, however, is a period of gradual transition.

The composition of American imports from China during the period is shown in Table 11. Among all the items, silk held the first place and was by far the most important. The annual trade in raw silk alone constituted more than one-third of the total American import trade with China. Although Japanese silk competed most formidably in the American market, yet Chinese silk exports had been steadily increasing in both quantity and value. This is due to the rapidly growing silk industry in the United States and the resulting expansion in her demand for raw material. Yet, as we shall see later,<sup>1</sup> China has lost much of her share in the American silk market.

Tea, formerly by far the most important article of American import from China, was steadily losing its importance throughout this period, declining both in absolute quantity and value, and in relative share. In 1895, seven and a half million dollars worth of tea was imported from China; two decades later only half of that sum was imported. In the former year tea constituted 36.8% of the total imports; in the latter, it declined to only 8.2%. This decline will be accounted for later.<sup>2</sup>

<sup>1</sup> See Chapter 7, *infra*.

<sup>2</sup> See Chapter 6, *infra*.



The third place in the list is held by wool, whose increasing volume of trade played an important part in this period. In 1895, imports of this article were valued at seventeen million dollars, constituting 8.3% of the whole American imports from China. They increased one decade later to more than three million dollars, 11.2% of the total, and to 4.7 million dollars, with a share of 11.8% in 1913.

Hides and skins are ranked fourth in the list. This only recently came into importance. This is also true regarding such products as vegetable oils, bristles, antimony ore and regulus, all of which had been very insignificant but had been growing in importance towards the end of the term.

The annual importation of chemicals and drugs during the early half of the period has been fairly large in value, usually fluctuating between one to two million dollars. But a substantial part of the "drugs" consisted of prepared opium, which alone amounted in some years to more than one million dollars. The United States Government, however, ordered its prohibition in 1911 and the volume under this item suddenly contracted to a little more than one per cent of total imports.

With a general survey of the list one cannot fail to realize the significant fact that a very great part of the imports consisted of raw or semi-raw materials to supply American industries for further production. With the exception of a few articles such as tea, firecrackers, hairnets, silk piece-goods, and wood manufactures, most of the products were not for immediate consumption. The increasing importation of raw materials and the decreasing importation of finished goods was a trend which had shown itself more and more clearly with the advancement of time. In 1895, finished products constituted nearly half of the total (chemicals, drugs, 4.9%; explosives, firecrackers 1.8%; mats 2.7%; silk manufactures 1.1%; wood manufactures 0.3%; vegetables 0.2%, and tea 36.8%). But as time went on their relative share steadily declined; in 1905 they altogether con-

TABLE II  
COMPOSITION OF AMERICAN EXPORTS FROM CHINA, INCLUDING LEASED TERRITORIES, 1895-1913

Article	1895		1898		1901		1903	
	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1 Antimony, ore and regulus.....	...	...	8	...	24	0.1	84	...
2 Bristles, sorted and bunched.....	29	0.1	122	0.6	127	0.7	403	1.5
3 Chemicals, drugs, dyes, etc.....	997	4.9	775	3.8	1,001	5.4	1,465	5.5
4 Cotton, raw .....	...	...	...	...	...	...	...	...
5 Explosives, firecrackers .....	372	1.8	141	0.7	235	1.3	217	...
6 Fruits and nuts.....	...	...	...	...	...	...	...	...
7 Furs .....	276	1.3	205	1.0	42	0.2	337	...
8 Hair and hair nets.....	...	...	...	...	...	...	...	...
9 Hats, hoods, bonnets, material of .....	565	2.8	632	3.1	553	3.0	665	2.5
10 Hides and skins, other than furs.....	481	2.3	1,211	6.0	1,453	7.9	2,670	10.0
11 Jute, hemp, and other fibers.....	...	...	...	...	...	...	...	...
12 Matting and mats.....	551	2.7	350	1.7	986	5.4	739	2.8
13 Meats and dairy products.....	...	...	...	...	...	...	...	...
14 Oil, vegetable .....	102	0.6	96	0.5	128	0.7	286	...
15 Rice and rice flour.....	504	2.4	561	2.8	489	2.7	473	1.8
16 Silk, raw .....	5,512	26.9	7,506	37.0	6,304	34.4	8,894	33.2
17 Silk, waste .....	95	0.4	106	0.5	63	0.3	39	0.1
18 Silk, manufactures of .....	241	1.1	136	0.7	150	0.8	242	0.9
19 Spices, unground .....	85	0.4	22	0.1	123	0.7	193	...
20 Spirits, distilled .....	19	0.1	11	0.1	24	0.1	25	...
21 Tea .....	7,534	36.8	5,827	28.8	4,864	26.5	6,975	26.2
22 Vegetable .....	53	0.2	50	0.2	79	0.4	61	...
23 Wood, manufactures of.....	63	0.3	70	0.3	117	0.6	122	...
24 Wool, unmanufactured .....	1,699	8.3	1,565	7.7	631	3.4	2,048	7.7
25 Other articles .....	1,370	6.7	900	4.4	911	5.0	735	2.8
Total American Imports from China.....	20,546	100.0	20,326	100.0	18,304	100.0	26,673	100.0



TABLE 11—Continued

No. of Item	1905		1907		1909		1911		1912		1913	
	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1.....	43	...	7	...	156	...	123	...	140	...	171	.04
2.....	472	1.7	658	2.0	452	1.5	770	2.2	869	2.9	922	2.3
3.....	1,701	6.1	1,983	5.9	1,086	3.7	468	1.3	375	1.2	574	1.4
4.....	...	...	...	...	140	...	1,053	3.0	731	2.4	1,282	3.2
5.....	312	...	516	1.5	309	...	198	...	188	...	228	.06
6.....	23	...	39	...	24	...	144	...	236	...	109	0.3
7.....	344	...	457	1.4	177	...	266	...	270	...	595	1.5
8.....	...	...	...	...	165	...	350	1.0	159	...	336	0.8
9.....	815	2.9	1,796	5.3	553	1.9	687	1.9	707	2.3	421	1.0
10.....	2,535	9.1	4,053	12.1	2,613	8.9	3,703	10.5	2,201	7.2	5,271	13.3
11.....	31	...	42	...	85	...	73	...	146	...	50	...
12.....	850	3.0	876	2.6	889	3.0	744	2.1	756	2.5	705	1.7
13.....	32	...	55	...	53	...	69	...	101	...	114	0.3
14.....	412	1.5	815	2.4	831	2.8	2,981	8.5	2,365	7.8	2,897	7.3
15.....	513	1.8	815	2.4	457	1.6	507	1.4	645	2.6	930	2.3
16.....	8,849	31.6	10,375	30.9	12,342	42.0	13,667	38.6	11,399	37.4	13,575	34.0
17.....	76	0.3	164	0.5	160	0.5	391	1.1	503	1.6	1,012	2.6
18.....	266	1.0	229	0.7	329	1.1	279	0.8	174	0.6	170	0.4
19.....	144	...	232	...	200	...	214	...	217	...	225	0.6
20.....	47	...	81	...	60	...	89	...	108	...	89	0.2
21.....	5,903	21.2	4,182	12.5	3,501	11.9	2,952	8.4	2,261	7.4	3,248	8.2
22.....	78	...	122	...	80	...	99	...	115	...	127	0.3
23.....	193	...	177	...	91	...	109	...	122	...	83	0.2
24.....	3,133	11.2	4,479	13.3	3,122	10.6	3,070	8.7	3,655	12.00	4,722	1.8
25.....	1,115	4.0	1,423	4.2	2,065	7.0	2,274	6.4	2,015	6.6	1,900	4.8
Total.....	27,887	100.0	33,573	100.0	29,443	100.0	35,280	100.0	30,460	100.0	39,758	100.0

## PERIOD OF DISTURBANCES AND COMPETITION 67

stituted a little more than a third and in 1913 even less than one-fifth of the total. This tendency will become still more marked in the next period of our trade history.

*Balance of Trade*

Throughout the whole period of one and one-half centuries of Chinese-American trade, the "favorable" balance to China in this period of twenty years was the smallest. In the previous thirty years, the average balance in favor of that country was nearly fifteen million dollars a year. American domestic exports to China was then only one-fourth to one-third of what the United States directly imported from China. But during this period, the old saying, "America needs what China has to sell more than China needs what America has to sell" was losing strength because many kinds of American manufactures gradually came into general use by the Chinese. During the first ten years, the demand of the Chinese for American cottons, mineral oils, wheat flour, and iron and steel products was so heavy that, taking together China and Chinese Leased Territories, the balances of quite a few years were in favor of the United States.

As regards Hongkong, the exports of American foodstuffs and other manufactures to that port increased at a more rapid rate than the American imports therefrom, and the balance was consistently in favor of the United States, averaging nearly six million dollars a year. How much of the American Hongkong balance in this period should be deemed as a part of the Chinese-American balance, we have no way of determining because of the complete lack of trade statistics in Hongkong. One point, however, is sure, that is, as American trade with the South Asiatic countries was now growing, their trade through transshipments at Hongkong was also growing, and the portion of the American Hongkong trade which can be ascribed to China must contract year by year. Besides this generalization any accurate estimate is impossible.







TABLE 13

VALUE OF NET EXPORTS OF GOLD AND SILVER COIN AND BULLION  
FROM THE UNITED STATES TO CHINA AND HONGKONG  
Unit = \$1,000

Year	Silver	Gold	Net Import of Gold into U. S. Therefrom
1895.....	8,450	75	...
1896.....	8,215	119	...
1897.....	5,460	78	...
1898.....	7,798	64	...
1899.....	4,561	...	168
1900.....	8,209	28	...
1901.....	8,248	370	...
1902.....	8,553	...	31
1903.....	6,910	43	...
1904.....	2,539	122	...
1905.....	4,247	...	186
1906.....	8,385	19	...
1907.....	1,834	13	...
1908.....	5,261	...	126
1909.....	6,267	3	...
1910.....	4,907	2	...
1911.....	6,895	7	...
1912.....	7,620	...	28
1913.....	9,949	100	...
Total.....	124,808	1,043	539
		— 539	
	Net gold exp.	504	

## CHAPTER IV

## THE PERIOD OF RAPID EXPANSION, 1914-1922

With the outbreak of the European War, trade between the United States and China underwent a complete change, not only in its absolute and relative importance to both countries, but also in the character of the imports and exports. Naturally, when most of the supply of European goods was cut off in China, the Chinese looked for substitutes in the United States. On the other hand, the demand of American industries for raw material to provide for war orders was so urgent and the supply of them became so scarce in the United States, that Americans were compelled to buy many kinds of materials from the Far East which they had never or very seldom bought before. This situation has led to an enormous expansion of Chinese-American trade during the last decade, of which Table 14 presents the annual value.

A few months after the outbreak of the war in 1914 when the nations of the world had begun to readjust themselves to the new conditions, demands began to spring up in the United States as well as in China, for materials to be used in connection with the war, and for products formerly supplied to neutral nations by belligerents who were no longer able to furnish them. Thus one finds, on the one hand, increased demands of the United States for China's antimony, albumen, aniline dyes, indigo paste, woolen carpets, cotton, egg products, vegetable oils, oil seeds, hides, skins, furs, straw braids, wool and silks; and on the other, increased demands in China for more American iron and steel machinery and other manufactures; cars, carriages, and other vehicles; cotton and cotton cloth; electrical machinery and other appliances; rubber and leather manufactures, paper products, tobacco, mineral oils, and lumber.

In addition to this greatly increased demand on both sides,



there were other minor causes which helped the growth of the trade during this period. The American import duties on many kinds of raw materials and quite a few manufactures were either greatly reduced or entirely removed by the provisions of the American Tariff Act of 1913, thus stimulating the growth of American imports from China; while silver, the currency in use in China, rose sharply in gold value and thus facilitated China's imports from the United States.

Opposing these favorable conditions under which American trade with China has made extraordinary progress since 1914, there were, however, also a few adverse conditions which tended to check its growth throughout the war and post-war period. First, there was the shortage of trans-oceanic ships and the rise in freight rates. Immediately after 1914 the question of transportation became a serious one, since one-fourth of the world's mercantile tonnage was taken from ordinary trade channels because of the war.<sup>1</sup> The re-adjustment in shipping on this account soon reduced very materially the tonnage in the Pacific, and the shortage of ships at this juncture operated greatly to hinder the Chinese-American trade not only because freight rates had risen continuously but also because there had been times when a large quantity of cargo in China could find no space at any price on ships bound for America.<sup>2</sup> The difficulty was much aggravated by the fact that the greater part of the commodities entering into the trade consisted of cheap and bulky materials; they could not bear a high cost of transportation and were, therefore, seriously affected by the increase in freights from 300 to 500 per cent.<sup>3</sup>

Second of the adverse conditions, from the viewpoint of American importers, was the enormous rise in the price of silver. After 1916 the rate of exchange between the Amer-

<sup>1</sup> U. S. Bur. of For. & Dom. Com., Misc. Series, No. 44, *Trans-Pacific Shipping*, 1916, p. 13.

<sup>2</sup> *Ibid.*, p. 44.

<sup>3</sup> *Ibid.*

ican gold dollar and the Chinese silver tael became extremely unfavorable to the former. In normal times a tael has been exchangeable for less than seventy cents of American money. But in 1916 the average rate was 79 cents for one tael; in 1917 it went up to \$1.03; then to \$1.26 and \$1.39 in the two successive years. This unfavorable exchange, of course, greatly hampered the growth of American imports from China.

#### *Actual Increase of the Trade*

But in spite of these two serious disturbing elements against the smooth expansion of trade—the high freight rate and the dislocation of gold-silver exchange—the American demand for Chinese materials increased to such an enormous degree that the quantity and value of American import trade with China actually rose by leaps and bounds throughout this ten-year period, with the exception of the year 1921. In 1914 the total value of American imports from China was thirty-six million dollars; in 1915 it was fifty-three millions, then it rose to eighty millions, to one hundred and twenty-five millions, to one hundred and fifty-four millions, and culminated at one hundred and ninety-three millions in 1920. The drop in 1921 was inevitable because of the business depression in the whole world; yet the trade has speedily recovered since 1922 and in the fiscal year 1923 (ending June 30) the total stood at one hundred and seventy millions. To these figures should be added the value of goods imported from China's leased territories, among which Kwantung, a Japanese lease, was by far the most important. Since the war goods imported from these territories have attained considerable sums. During the four years, 1917-20, they averaged much in excess of ten million dollars a year, and in 1918 the annual figure nearly reached the mark of thirty millions, which equals the value of imports from all China before the war. In 1921, a severe



TABLE 14  
VALUE OF AMERICAN TRADE WITH CHINA, 1913-1922  
Unit = \$1,000

China			China Leased Territories			Estimated U. S.-China Trade through the port of Hongkong <sup>b</sup>			Total		
Calen- dar Year	Imports from China	Exports to China	Imp.	Exp.	Total	Imp.	Exp.	Total	Imp.	Exp.	Total
1913	40,121	25,300	745	1,113	1,858	621	5,543	6,164	41,387	31,956	73,443
1914	36,314	20,368	929	1,647	2,576 <sup>a</sup>	400	4,629	5,029	37,643	26,644	64,287
1915	52,858	19,748	674	1,138	1,812	472	4,166	4,638	54,004	25,032	79,036
1916	80,042	31,516	750	1,122	1,872	940	6,657	7,597	81,732	39,295	121,027
1917	125,105	40,292	14,818	4,957	19,775	1,558	7,879	9,437	141,482	53,128	194,610
1918	110,971	52,571	29,835	6,176	36,011	4,510	12,333	16,843	145,316	71,080	216,396
1919	154,154	105,515	15,492	12,735	28,227	3,317	11,046	24,362	172,963	129,296	302,259
1920	192,708	145,737	11,514	7,139	18,653	6,879	16,985	23,864	211,101	169,861	380,962
1921	101,136	108,290	1,280	5,315	6,595	1,536	9,363	10,899	103,952	122,968	226,920
1922	134,609	100,357	2,062	5,717	7,779	2,390	10,467	12,857	139,061	116,541	255,602
1923 <sup>c</sup>	169,619	96,852	3,819	6,089	9,908	3,033	14,106	17,039	176,471	117,047	243,518

<sup>a</sup> These figures were for fiscal years ending June 30.

*b* See table and note on the following pages.

<sup>c</sup> Fiscal year ending June 30.

TABLE 14—Continued

Year	American Imports from Hongkong in \$1,000	15% of figure in former column is considered originated from China. In \$1,000	American exports to Hongkong in \$1,000	50% of figures in former column considered as ultimately re-shipped to China	Total American Hongkong trade in \$1,000	Estimated total Chinese-American trade through Hongkong in \$1,000
1913.....	3,475	621	11,086	5,543	14,560	6,164
1914.....	2,664	400	9,259	4,629	11,923	5,029
1915.....	3,146	472	8,332	4,166	11,478	4,638
1916.....	6,264	940	13,314	6,657	19,578	7,597
1917.....	10,384	1,558	15,747	7,879	26,131	9,437
1918.....	30,068	4,510	24,665	12,333	54,734	16,843
1919.....	22,119	3,317	22,093	11,046	44,212	14,363
1920.....	45,860	6,879	25,971	16,985	71,767	23,864
1921.....	10,242	1,536	18,726	9,363	28,968	10,902
1922.....	15,304	2,390	20,934	10,467	36,238	12,857
1923 <sup>a</sup> .....	20,217	3,033	28,211	14,106	48,428	17,039

<sup>a</sup> Fiscal year ending June 30.



drop was witnessed and now the trade has not as yet fully recovered.

Nor do these figures tell the whole story. A large part of the trade between the United States and Hongkong is, in fact, a part of the trade between the United States and China.<sup>1</sup> According to the writer's estimate the United States imported each year several million dollars' worth of Chinese goods by way of Hongkong during the war.

<sup>1</sup> See Table 14.

Because of transshipment through the British colony of Hongkong, it is very difficult to determine the true origin of the imports and exports of China from and to any individual country. If the Chinese Maritime Customs returns and the American Foreign Commerce and Navigation statistics are examined it will be found that the Hongkong trade is separately recorded. But the imports from Hongkong come originally from and exports to that colony are further carried on to, Great Britain, the Straits Settlements, the Philippines, etc., and the coast ports of China. Again, Hongkong, being a free port, did not publish actual statistics of its trade until very recently, and even at present it does not publish them in any detail, so it is impossible to know with exact accuracy the amount of its trade, originating in or destined for any particular country.

In 1918 the colony issued Trade and Shipping Returns, representing the first attempt to furnish a complete record of the trade of the colony. But no comparison with earlier years is possible. There are, moreover, certain defects which will no doubt be remedied after a short time. The values given, for instance, are based upon merchants' declarations without further adequate checks as to their correct uses. (Trans-Pacific, Dec., 1919, p. 59.)

The total value of Hongkong's trade during 1918 was £127,991,000, of which £60,934,000 represented imports and £67,057,000 exports. The distribution of the bulk of this trade is indicated by the following table (*Ibid.*).

Note continued from the preceding page.

YEAR 1918—DISTRIBUTION OF THE FOREIGN TRADE OF HONGKONG

Countries	Imports into Hongkong		Exports from Hongkong		Total Imports and Exports	
	£1,000	%	£1,000	%	£1,000	%
China .....	9,362	15.4	37,011	5.51	45,373	35.4
United States .....	8,348	13.5	5,417	8.1	13,765	10.7
United Kingdom .....	4,439	7.2	1,112	1.6	5,551	4.3
British Dominions and Colonies .....	8,131	13.4	7,549	11.3	15,680	12.3
Japan and Korea .....	9,819	16.1	4,494	6.5	14,313	11.2
French Indo-China .....	15,289	25.0	5,854	8.5	21,143	16.5
Other countries .....	5,536	9.0	5,620	8.4	11,156	8.7
Total .....	60,934	100.0	67,057	100.0	127,991	100.0

The distribution of Hongkong trade in 1919 by countries as reported in the Trade and Shipping Returns of Hongkong is as follows:

Countries	Imports into Hongkong		Exports from Hongkong		Total Imports and Exports	
	£1,000	%	£1,000	%	£1,000	%
China .....	12,581	13.4	52,812	50.8	65,393	33.6
United States .....	17,759	19.6	4,877	4.7	22,636	11.6
British Empire .....	19,746	21.8	18,993	18.3	38,739	19.9
Japan .....	9,658	10.7	9,837	9.5	19,495	10.0
French Indo-China .....	13,557	14.9	8,748	8.4	22,305	11.5
Other countries .....	17,351	19.1	8,675	8.3	26,026	13.4
Total .....	90,652	100.0	103,943	100.0	194,595	100.0

From the above statistics it is still impossible for us to determine what part of Chinese goods imported into Hongkong were ultimately transshipped to the United States and other countries, and what part of American goods imported into Hongkong were ultimately destined for China. We can only infer, in the absence of other evi-



*Note continued from the preceding page.*

dence, that the proportion of American exports through Hongkong into China to the total American exports directly to Hongkong is the same as the proportion of Hongkong exports to China to the total exports of Hongkong. Expressing this statement in the form of an equation, we have:

$$\frac{\text{U. S. exports through Hongkong to China}}{\text{Total U. S. exports to Hongkong}} = \frac{\text{Hongkong exports to China}}{\text{Total Hongkong exports}}$$

In connection with American imports from China through Hongkong, we may ascertain their proportion by analogy:

$$\frac{\text{U. S. imports from China through Hongkong}}{\text{Total U. S. imports from Hongkong}} = \frac{\text{Hongkong imports from China}}{\text{Total Hongkong imports}}$$

According to the statistics shown in the above tables, Hongkong Exports to China were 55.1% in 1918 and 50.8% in

Total Hongkong Exports were 15.4% in 1918, and 13.9% in 1919. Neglecting the small differences, we may assume that about half or 50% of Hongkong's exports goes to China and about 15% or nearly one-seventh of Hongkong's imports comes from China. If we apply these same proportions to the Imports and Exports of the United States from and to Hongkong we can roughly ascertain what part of the American Hongkong trade is really American trade with China.

The estimated figures of the American imports of Chinese goods through Hongkong, however, are too small. But any attempt to calculate the real value of the trade would be futile. The confusion is aggravated by the fact that the products of the Chinese southwestern provinces are exported first to Indo-China, then to Hongkong and then finally to the United States as well as to other countries. Much of the trade of Hongkong credited to Indo-China really originated in the Yunnan Province of China. For instance, in 1918 the United States imported from Hongkong tin in bars, blocks, pig, etc., to the value of more than ten million dollars (Commerce and Navigation, 1918), most of which must have originated in the Province of Yunnan by way of Indo-China, but actually how much could never be known.

Taking the total American imports directly from China, both through Chinese leased territories and by transshipment through Hongkong, we have the following annual figures representing the increase in the value of imports (Table 15, Column A).

If we take the value for the year 1913 as a base, and convert the values for succeeding years into index numbers (Column B) we get ninety-one for 1914, representing a drop of nine percent from that of the preceding year. But the index rose suddenly to 130 in 1915, to 198 in 1916, and again made a huge stride to 342 in 1917, then increased steadily to 351 in 1918, to 418 in 1919, and attained its zenith of 510 in 1920. It means that the American import trade with China quintupled in a period of eight years. In 1921 there occurred a big drop; but this drop was entirely due to the business depression in this country and was only temporary in nature. As American business conditions were picking up in 1922-23, the index of the import trade followed the same trend, recovering to 427. But this rate of increase in value, we must admit, does not truly represent the real increase in the volume of trade. In order to ascertain the real increase, we have to make certain allowances for price inflation during the war. As the valuation of imported goods is made at the port of origination, the price allowance here to be made must be based upon the changes in the general price level in China. A general price index number constructed by the writer last year becomes available here.<sup>1</sup> But this index is constructed on silver prices and if we want to use it here we must first convert this silver price index into a gold price index. This is done in columns D, E, F of Table 15. We see from the index in column F that the rise of gold prices of Chinese exports nearly kept pace with the rise in Amer-

<sup>1</sup> See column C in Table 15. This index number was constructed with the prices of the most important exports of China: Raw silk, manufactured silk, hides and skins, tea, wool, cotton, beans, wood oil, bean oil, indigo.



TABLE 15  
STATISTICS SHOWING THE REAL INCREASE OF THE VOLUME OF  
AMERICAN IMPORTS FROM CHINA, 1913-1923

Year	Total American imports from China in \$1,000 (A)	Rate of increase 1913 = 100% (B)	Index of Gen. Price in China 1913 = 100 Silver stan. (C)	Average rate of gold-silver exchange I HK Tael (D)	Column D converted into Index 1913 = 100 (E)	Convert. silver-price index (C) into gold-price index $C \times E$ (F)	(B) — (F) Real index of vol. of imports (G)
1913	41,387	100	100 <sup>1</sup>	\$0.73	100	100	100
1914	37,643	91	107	0.67	92	98	93
1915	54,004	130	113	0.62	85	96	136
1916	81,732	198	122	0.79	108	132	150
1917	141,482	342	128	1.03	141	180	190
1918	145,316	351	136	1.26	173	235	149
1919	172,963	418	130	1.39	190	247	172
1920	211,101	510	128	1.24	170	218	234
1921	103,952	251	127	0.76	104	132	190
1922	139,061	337	140 <sup>2</sup>	0.83	114	160	210
1923 <sup>3</sup>	176,471	427	150 <sup>2</sup>	0.83	114	171	250

<sup>1</sup> This is a part of the Index number constructed by the writer in his thesis "The Construction of a General Price Index Number for China," submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at Harvard University, 1922.

<sup>2</sup> Fiscal year ending June 30.

<sup>3</sup> Index constructed according to the same method as above.

ican prices. After we eliminate that part of the increase of trade due to this inflation of price, we come to the real index of the volume of import trade which is shown in column G. Now it becomes clear that the real increase during this period is far less phenomenal than the nominal increase in terms of total value, yet the volume of imports became almost two and a half times as large in 1920 as in 1914, and in 1922-23, it was two and a half times as large.

Let us now turn our attention to American exports to China. The total value of exports increased at first much less rapidly than that of imports, in fact, there was a decline between 1914 and 1915. But in 1918, the total value is 123% over that of 1913 while that of American imports in the same year showed an excess of 251%. But in the next two years, the increase of exports overtook that of imports by twenty points (530-510). In 1921 the drop in the total export value was much less severe than the drop in the total import value. By eliminating the element of the rise due to price inflation in this country, we can again correct the rate of the nominal increase to show the real increase of the export trade of the United States with China. As column E of Table 16 shows us, the actual volume of American exports to China during 1914-17 were much below that of 1913. In 1914 it was fourteen percent below, in 1915 twenty-three percent below, and even in 1917, still three percent below. This tardiness of expansion is explained upon several grounds which we have touched upon at the beginning of this chapter. First, the heavy drop of the price of silver in terms of gold during 1915 with only a little recovery in 1916 discouraged the Chinese from importing American goods which are expressed in terms of gold; second, the high rate of freight added to the high price, another heavy burden to the Chinese buyer; and third, China's demand for American goods was not so urgent as that of Europe. After 1918, however, the real volume of trade had increased considerably. The index rose from 94 in 1917 to 115 in 1918, climbed to 196 in 1919, and to 234 in 1920, and in spite of business depression in



most parts of the world and in America again increased to 262 in 1921. In 1922-23, the severe business depression in China checked the further expansion of American exports to that country, yet the index dropped only slightly. This

TABLE 16

STATISTICS SHOWING THE REAL INCREASE OF THE VOLUME OF  
AMERICAN EXPORTS TO CHINA, 1913-1922

Year	Total American Exports to China in \$1,000	Rate of increase 1913 = 100	Index No. of American wholesale prices <sup>1</sup>	Real increase of volume of trade
1913.....	31,956	100	100	100
1914.....	26,644	84	98	86
1915.....	25,032	78	101	77
1916.....	39,295	123	127	97
1917.....	53,128	167	177	94
1918.....	71,080	223	194	115
1919.....	129,296	405	206	196
1920.....	169,861	530	226	234
1921.....	122,968	385	147	262
1922.....	116,541	365	149	245
1923 <sup>2</sup> .....	117,047	367	156 <sup>3</sup>	235
(A)	(B)	(C)	(D)	(E)

enormous increase can be accounted for also upon three grounds: first, the unprecedented rise in the price of silver in terms of gold naturally stimulated a silver-standard nation like China to buy more from a gold standard nation; second, the enormous value of the imports from China into this country made the dollar-tael exchange rate more favorable to China and this again stimulated the exportation of American products to China; third, due to the exportation boom in China during the war, the purchasing power of the Chinese people had enormously increased, and they could therefore afford to buy more foreign goods for immediate

<sup>1</sup> U. S. Bur. of Labor Statistics.

<sup>2</sup> Fiscal year ending June 30.

<sup>3</sup> For fiscal year ending June 30.

consumption. Furthermore, there prevailed in China during 1918-1921 a business prosperity that promoted many new industries and started a great number of plants and factories which in turn created a strong demand for American producers' goods such as iron and steel manufactures, machinery, cars, carriages, electrical machinery and appliances, building materials, etc. It is a rather significant fact that although the value of American exports to China dropped heavily in 1921 from that of the previous year, yet the actual volume had actually increased.

To conclude this section let us say in general that during the ten-year period under present discussion, both the American imports from China and the exports thereto have increased in volume two and a half times, when allowance for price inflation has been made. We see, therefore, the increasing importance of American trade with China as created under the new conditions arising from the war.

This increase of importance shows itself not only in the absolute value and volume of the trade, but also in the comparative share in the foreign trade of both countries. Table 17 presents a view of the distribution of American trade with the Oriental countries, showing the percentage of total values of imports therefrom and exports thereto, computed on the total values of imports and exports of the United States as bases. In 1913 American imports from China constituted 2.19% of the total American imports. This share was steadily expanding; in 1919 it became 4.56% and in 1922, 4.39%, about double that of pre-war times. As a supplier of the American market, China ranked ninth in 1913 among those countries from which America bought its imports,<sup>1</sup> while in 1918 her rank was advanced to seventh place,<sup>2</sup> and

<sup>1</sup> The large importers from the U. S. were in 1913 in order of their importance: the United Kingdom, Germany, France, Cuba, Brazil, Mexico, British East Indies, Japan, China including Hongkong, Belgium, Italy, and Canada.

<sup>2</sup> In the order of their importance, the countries importing from the U. S. were in 1918: Canada, British East Indies, Japan, Cuba, Argentina, United Kingdom, China.



TABLE 17

PERCENTAGES OF TOTAL VALUES OF IMPORTS FROM AND EXPORTS TO THE ORIENTAL COUNTRIES, COMPUTED ON THE TOTAL VALUES OF IMPORTS AND EXPORTS OF THE UNITED STATES AS BASES, 1913-1922

Year	China together with leased territories		Hongkong		Japan		British East Indies		Dutch East Indies	
	Imp.	Ex.	Imp.	Ex.	Imp.	Ex.	Imp.	Ex.	Imp.	Ex.
1913	2.19	0.91	0.22	0.42	5.05	2.35	6.41	0.61	0.34	0.13
1914	2.13	1.11	0.16	0.45	5.67	2.17	5.91	0.66	0.28	0.01
1915	2.44	0.63	0.12	0.30	5.91	1.50	5.21	0.58	0.55	0.10
1916	3.29	0.60	0.25	0.28	6.72	1.72	8.07	0.57	1.26	0.17
1917	4.22	0.66	0.28	0.23	7.83	2.07	8.19	0.59	2.33	0.34
1918	4.66	0.96	0.99	0.40	9.96	4.45	9.87	0.84	2.47	0.38
1919	4.56	1.49	0.57	0.28	10.50	4.63	8.25	1.03	2.02	0.59
1920	3.87	1.86	0.87	0.32	7.85	4.59	7.60	1.48	3.17	0.72
1921	4.08	2.53	0.41	0.42	10.01	5.25	5.93	1.46	1.28	0.72
1922	4.39	2.77	0.49	0.55	11.39	5.70	6.61	0.97	1.10	0.21

in 1920, 1921 and 1922 to sixth.<sup>1</sup> Among the buyers of American goods, China has never ranked so high as in the export list of the United States. In 1913 total American exports to China amounted to 6.91% of total American exports, while China's position, even including Hongkong, was fourteenth.<sup>2</sup> Yet in the course of five years her rank was advanced four places,<sup>3</sup> although her actual share had increased only by one-twentieth of one per cent (0.96-0.91). She held in 1920 the same place in the list, but her share had increased to nearly twice that of 1918, viz. from 0.96% in

<sup>1</sup> Cuba, Canada, the United Kingdom, Japan, British East Indies, China, Brazil, Argentina, Dutch East Indies, France.

<sup>2</sup> United Kingdom, Canada, Germany, France, Netherlands, Italy, Cuba, Belgium, Japan, Mexico, Argentina, Australia, Brazil, China, including Hongkong, and Spain in the order of their importance.

<sup>3</sup> The United Kingdom, France, Canada, Italy, Japan, Cuba, Russia, Argentina, Mexico and China including Hongkong.

1918 to 1.86% in 1920, to 2.53% in 1921, and to 2.77% in 1922.

As compared with the increase of American trade with other countries in the Orient, the increase of Chinese trade has presented a favorable aspect especially in the recent years. It has nearly kept pace with the growing share of Japan in American foreign trade, and has somewhat exceeded that of the British East Indies. Trade with the Dutch East Indies alone increased during the war at a rate more rapid than that of China, although it must be noted that the absolute volume of trade with the Dutch East Indies is now much below that with China, and that in recent years the American-Dutch Indies trade declined enormously in its relative share, whereas American-Chinese trade is still on the increase.

TABLE 18

DISTRIBUTION OF CHINA'S FOREIGN TRADE BY COUNTRIES IN PERCENTAGES, 1913-1922

Year	U. S. of America	Great Britain	Germany	France	Japan	Hongkong	British India
1913	7.6%	11.4%	4.5%	5.3%	19.7%	29.1%	5.5%
1914	9.1	13.8	2.6	3.8	21.1	28.3	5.0
1915	11.4	11.5	0.1	4.8	23.4	28.2	5.4
1916	12.7	10.3	...	3.4	28.3	26.8	3.8
1917	15.2	7.5	...	3.0	33.4	26.3	3.2
1918	12.8	7.2	...	3.1	37.8	26.3	1.3
1919	16.2	9.3	...	3.0	33.9	21.9	2.8
1920	15.7	13.2	0.6	2.0	27.7	22.0	3.1
1921	17.3	11.8	1.3	2.2	24.9	25.0	2.9
1922	16.7	11.5	2.2	2.8	24.3	25.6	3.3

When we turn to China we at once notice the remarkable increase of the relative share taken by American trade as shown in Table 18. In 1913, the share of the United States was only 7.6% of the total foreign trade of China; ten years later it became 17.0%. During this ten-year period, the shares of all countries trading with China, except Japan, have more or less dwindled, or at best remained stationary.



Even in the case of Japan the increase of her share has been far less phenomenal, from 19.7% in 1913 to 24.3% in 1922, an increase of 23%, as compared with the increase of the American share from 7.6% in 1913 to 16.7% in 1922, an increase of 120%.

#### *Japanese, British and Other Competition*

The European War eliminated, for a time at least, many strong competitors from the markets in the Orient, and left only two or three fortunate countries to avail themselves of this opportunity. Among those whose commerce with China before the war had been growing in volume and importance were Germany, Belgium, France, Russia, Italy, and British East Indies. But immediately after the outbreak in 1914, German and Belgian competition was completely removed from the field, and a little later, Russia, Italy, France, Norway and Sweden, also found it extremely difficult to carry on any considerable amount of trade with China. The trade between British India and China also declined, because the former had to serve its mother country to the utmost of its capacity. Only Great Britain, for more than a century the dominating country in China's foreign trade, succeeded in preserving its place, though with a great deal of difficulty, in the Oriental market. There were only two countries, viz., Japan and America, that profitted enormously by the war in their trade with China as well as with others.

As contrasted with the multi-sided competition for the trade of China before 1914, we now find a much simplified mesh of triangular competition—America versus Japan, and, with less keenness, Great Britain. In order to reveal many important considerations which will throw much light on the future tendency of the share of the United States in the foreign trade of China, we should investigate the important as well as interesting phenomenon of the competition entered into by these three countries before, during and after the European War. Our examination may be guided by a com-

parison of the American with Japanese and British trade with China during the fourteen years, 1909-1922, a period which consists of an ante-bellum quinquennium, another quinquennium the chief factor in which was the war, and a post-bellum quadrennium.

The distribution of China's trade as shown in Table 18 is to a certain extent inaccurate, because it does not indicate the real share of each country, largely owing to the transshipment of commodities through the open port of Hongkong. It is shown by this table that the share credited to Hongkong has been for the whole period about one-third of the total foreign trade of China, but the imports from Hongkong come originally from, and exports to that colony are carried to, Great Britain, Japan, America as well as many other countries which have trade relations with China. Therefore before arriving at a final percentage for each nationality there should be made to each of these countries what is called a Hongkong allowance. It is impossible, of course, to make the allowance anything more than a rough estimate. But for a general comparison such as we are making now, it will serve our purpose.

A somewhat detailed comparison of the trade of these three competitors with China is presented in Table 19. The most striking thing in this table is that during the war quinquennium both American and Japanese trade increased considerably in value over that in the ante-bellum quinquennium. The rate of increase of Japanese trade outstripped that of America. The average annual trade before the war was eighty-five million Haikwan taels for the United States and one hundred and seventy-eight millions for Japan; while during the war it increased to one hundred and forty-nine millions for the former and three hundred and twenty-two millions for the latter. The increase in the case of the United States was seventy-five percent, and in the case of Japan eighty percent. Furthermore, the increase of the relative share of Japan also exceeded that of the United States. Before the war the average share of Japan was







Note to Table 19:

*Hongkong Allowance.* In the absence of other evidence, we may assume that, of the total China-Hongkong trade (figures in the third column of Table 19) the ratio of that portion whose destination is some part of any of the three countries under comparison is proportionate to the ratio between the amount of the direct trade of any one of those countries with Hongkong and the total amount of foreign trade of Hongkong. Expressed in an equation it means:

A's share in China's trade with Hongkong = A's share in the total trade of Hongkong

Total Chinese trade with Hongkong = Total trade of Hongkong

In other words, we assume in the absence of other reliable evidence country A's trade with Hongkong is ultimately and evenly distributed to all other countries having trade relations with Hongkong in a proportion according to their relative share in Hongkong trade. In the footnote on p. 72, we have already demonstrated the distributive shares of the various countries in the Hongkong trade during the two years 1918 and 1919. In connection with the United States, the British Empire and the Japanese Empire, they are as follows:

Year	United States	Japanese Empire	British Empire
1918.....	10.7%	11.2%	16.6%
1919.....	11.6	10.0	19.9
Average .....	11.2	10.6	18.3

With these ratios as our bases, we may roughly estimate the Hongkong allowance which should be credited to each of these countries. Generally speaking, we may allow 12% of China-Hongkong trade to the United States; 10% to Japan and 20% to the British Empire. But from further evidence we notice that before the war American trade with Hongkong was comparatively unimportant and a 12% allowance seems too big. Of the total imports from Hongkong to China in 1906, \$116,000,000, there were American goods to the value of \$7,000,000, a share of about 6%. (U. S. Com. Rel. 1906 under "China.") Since the American trade with Hongkong did not alter very much before 1915, we may assume that 6% of the China-Hongkong trade may be allowed to the United States before that year.

The Hongkong allowance thus computed (column 5, Table 19) for some years differs quite a good deal from that computed according to a similar rule but from American data (cf. column 4, Table

20.9%; during the war it became 32.8% which is 1.63 times the previous figure. As regards the United States, the increase was from 10.1% to 15.2%, or 1.5 times. From this comparison we come to the general conclusion that during the war America had been outstripped by Japan even as far as comparative increase is concerned.

In the next four-year post-bellum period, however, the

*Note continued from the preceding page.*

14) even though one standard of value is converted into the other according to the current average rate of dollar-tael rate of exchange. Of course in Table 19 the figures include all the American colonies and territories while the figures in Table 14 consist of the trade of forty-eight states of the United States. But even if a liberal allowance is made for this, there still remains some discrepancy. In this connection the United States Department of Commerce made the following comment (Com. Rel. 1880-81, p. 201):

"Owing to the material difference between Chinese returns of foreign trade and the returns of the same trade as given in the returns of foreign countries, an estimate of the foreign trade of Hongkong is necessary for the harmonization of what would otherwise appear as contradictory statistics. Even with the closest possible analysis of the trade of China and Hongkong there will remain some discrepancies between the Chinese customs returns and those of England and France which can be explained only upon the hypothesis that either the former or the latter are erroneous.

"For instance: The Chinese returns give the exports to the continent of Europe during the year 1880 as \$17,800,000; the French returns for the same year give the general imports into France alone from China and Hongkong as amounting to \$30,616,000. of which France consumed to the value of \$19,469,000, the remainder passing on to other countries. Here is an import into France alone nearly double that which is credited to the whole continent in the Chinese returns. How much direct imports were received by the other continental countries cannot be given in the absence of official returns.

"It will be seen that even after liberally allowing for the increased value of merchandise, from their export from one country until they are entered as imports in another, there is considerable confusion caused by the intermixing of the trade of Hongkong with that of China, and that to arrive at anything like a satisfactory estimate of the trade relations of Europe and the United States with China, it is necessary to give a statement of the foreign commerce of Hongkong in connection with that of China."



above condition was reversed. Although Japanese trade with China has gained in absolute values from an average of three hundred and twenty-two million Haikwan Taels to four hundred and sixty-two millions, its relative share has slightly declined from 32.8% to 32.5%. This tendency toward decline has become more and more obvious in recent years. The trade of the United States, on the other hand, has made another huge increase during this period from an average value of one hundred and forty-nine million in the war period to two hundred and eighty-five million Haikwan taels, and relatively from a share of 15.2% to exactly 20.0%.

That Japan had intended to compete very strongly for the trade of China has been evident to all who have studied her policy in that country during the several years of the World War. Her loans and her political activities were of the most marked kind of "dollar diplomacy." Some indications of her strenuous preparations for capturing the Chinese market may also be gathered from Table 20 and 21 which show the number of her firms and merchants doing business in China so contrasted with those of the United States and Great Britain.

TABLE 20

## FOREIGN RESIDENTS IN CHINA

Year	American	British	Japanese	Russian	French	German	Total
1913	5,340	8,966	80,219	56,765	2,292	2,949	163,827
1914	4,365	8,914	84,948	56,319	1,864	3,013	164,807
1919	6,660	13,234	171,485	148,170	4,409 <sup>a</sup>	1,335	350,991
1920	7,269	11,082	153,918	144,413	2,753 <sup>b</sup>	1,013	326,069
1921	8,230	9,298	144,434	68,250	2,453	1,255	240,769
1922	9,153	11,855	152,848	96,727	2,300	1,986	282,491

<sup>a</sup> Including 918 proteges.

<sup>b</sup> Including 591 proteges.

Data from Chinese customs returns.

TABLE 21

## FOREIGN FIRMS IN CHINA

Year	American	British	Japanese	Russian	French	German	Total
1913	131	590	1,269	1,229	106	296	3,805
1914	136	534	955	1,237	113	273	3,421
1919	314	644	4,878	1,760	171	2	8,015
1920	409	679	4,278	1,596	180	9	7,375
1921	412	703	6,141	1,613	222	92	9,511
1922	377	725	3,940	1,141	229	184	7,021

But in spite of Japan's strenuous preparations the United States is now in a highly advantageous position in its competition for Chinese trade. Spinning mills and factories, knitted goods, soap, glass, and other simpler forms of industries are now springing up at a really remarkable pace in China. Japan, naturally, feels more keenly the effect of all this competition from China itself than any other exporting country. Unless the industrial activities of Japan take a tremendous forward step in the near future, Japanese exports to China will be gradually crowded out by the native products of China, for the simple reason that the large proportion of Japan's exports to China are products of the simpler forms of manufacturing industry—the very kind which China can herself produce now or very soon. The steady advance of industrial China is, however, a good thing for America. It will be some time before China attains the height of complex industrial activity which prevails in the United States. Meanwhile the more China develops her simpler forms of industrial activities, the greater will be her demand for machinery, steel and iron products, electrical appliances, chemical products and such other things as the United States is better able to furnish, and these are the very articles in which Japan cannot now hope to compete with the United States. Therefore, except for the few years of war, and possibly the year or two immediately succeeding it, Japan has not gained much permanent benefit from the sudden stoppage of European supplies to China. In many de-



partments of iron and steel manufactures and in chemical industries, Japan had not attained any marked advance; she could hardly supply her own needs in some of these products.

Moreover, Japan is handicapped in many other ways in competing with the United States. Since Japan has taken an aggressive attitude toward China and in 1916 forced upon her the notorious "Twenty-one Demands," she has created for herself an immeasurable quantity of ill-will on the part of the Chinese people. Even recently boycotts have been frequently instituted in China against everything Japanese and Japanese trade both import and export has been substantially affected. The political relations between China and Japan are still very delicate and one can conceive of a number of causes likely to continue the ill-will between them. If the Japanese policy toward China is not radically modified in the near future Japanese commercial relations with China will suffer rather than improve. The Chinese have serious grievances against Japan, and the animus against everything Japanese is steadily on the increase.

In addition to these handicaps Japan is now, because of the recent earthquake, in a still weaker position in competing with America. Not only hundreds of millions of dollars worth of her national wealth was destroyed, but her producing power has been immensely damaged, as not a few industrial plants and factories were demolished in this calamity. The re-construction work will certainly absorb the greater part of her national resources and engage the whole attention and energy of her people for some time to come.

Now let us turn our attention to Great Britain and her colonies and dominions. Before the War, the trade of the British Empire with China averaged about two hundred and thirteen million Haikwan Taels a year which is just one-fourth of China's total foreign trade, the largest share enjoyed by any one nation. During the quinquennium of war, her trade dropped to a yearly average of two hundred and ten million Haikwan Taels, rather a small decline, but when

taking into consideration the element of price inflation, it must be admitted that the real volume of British-Chinese trade had declined rather severely. This severe drop is also reflected in the decreasing share of China's trade Britain was then enjoying. It was 21.4% as contrasted with 25% in the ante-bellum period. This decrease was a natural result of the distraction, due to the war, of the energy and attention of all the British peoples. Japan and the United States, therefore, had a better chance to extend their trade in China.

With the close of the war the British naturally came back and now the keenest competition between American and British trade interests is carried on in the Chinese markets. During the five year post-bellum period, British trade has been steadily on the increase, the annual average being three hundred and twenty-two million Haikwan Taels as against two hundred and ten millions in the previous quinquennium. Her share has recovered somewhat, although it has not as yet attained its pre-war percentage. The number of her firms trading in China is increasing and that of her residents in China carrying on trade greatly exceeds that of the American residents.<sup>1</sup> As regards her ability to supply what the growing industrial China now needs, her competing power is just as strong as that of the United States. It is, therefore, rather difficult to predict whether British or American trade is to come out ahead.

In one direction at least Great Britain still has an advantage over the United States in the competition. British merchants in China have long experience and a clear insight of the market and financial conditions. Their connections are exceedingly well established, while the American traders have had comparatively little experience in China's commerce.

Although in the immediate past America had only two competitors in the Chinese market, she must now reckon

<sup>1</sup> See Tables 20 and 21.



with more, among which is Germany whose return has attracted much attention and speculation. German trade with China before the war, though not large, was steadily growing. It disappeared, however, during the war. But in recent years Germany has come back to the Orient and pushed her trade with renewed effort. Her firms and residents in China are resuming their pre-war number with remarkable rapidity. Her annual trade increased from nothing in 1919, to twenty million dollars in 1922 and her share was 2.2% in the latter year.

In competing with America as well as with other countries, German trade has in one way good prospects in China. It is obvious that if Germany is to recover from the disastrous results of the war, her people must work very hard, practice immense self-denial and be content with small profits. Still more or less unwelcome elsewhere, they must turn their attention to China, where their manufactures, produced with comparative cheapness, will have a great opportunity in outselling and underbidding other competitors.

But the deplorable political and economic chaos now prevailing in Germany makes her advantages doubtful and it still remains to be seen whether Germany will be able to pass the crisis and rehabilitate itself. Even though her political and economic condition may improve, she is likely to be handicapped for years by inadequate capital of her own. Furthermore, the war cancelled all the old treaties between Germany and China, and her goods cannot now enter China at the five per cent rate enjoyed by countries whose treaties stand. China has prepared a tariff for the new-treaty countries, under which German goods will have to pay rates varying from ten to one hundred per cent. In this respect German goods will be unable to compete with American goods on the same basis.

## THE PERIOD OF RAPID EXPANSION, 1914-1922 (continued).

### *Changes in the Composition of the Trade*

Along with the rapid expansion of the trade between the United States and China are many significant changes which have taken place in the composition of both imports and exports. A great many articles which were insignificant in former days have come suddenly to be the principal commodities of the trade. On the other hand many articles which had long been important have declined either in quantity or in share or in both. These changes have been effected partly by the changing force of the economic conditions in both the buying and selling countries, and partly by the temporary disturbing influence of the European War. Of course, those affected by the temporary disturbances of the war have already resumed, or will soon resume, their original status when the disturbances cease to work. But those which have been due to the changing trend of economic development will run their course as time goes on until they are checked by another set of new influences working in the opposite direction. Let us, therefore, examine these changes separately.

1. *Changes in the composition of American imports from China.* Among the articles imported from China which have increased in commercial importance, vegetable oils, hides, skins and furs, chemicals, eggs and egg products, human hair and hair products, and wool, are the most significant. Among those decreasing in importance, tea is the only one deserving attention. Among those which has kept an even pace with the total imports from China to America, silk is by far the most important. Owing to the considerable share these articles have played in the trade, the writer will endeavor to give each of them a more detailed description and discussion in the next two parts. Here let us run over them in a very brief manner.



Only two decades ago Chinese vegetable oils were practically unknown in this country. Even down to 1910 imports of vegetable oils were still far less than one million dollars a year, constituting from one to three percent of the total imports from China.<sup>1</sup> After 1911, however, when Japan had become interested in the oil industry in South Manchuria, where most of China's oil seeds are produced, the trade had greatly increased even before the war broke out. From 1911 to 1915 the United States imported every year nearly three million dollars' worth of this commodity from China, and their share in the total import trade suddenly increased to seven or eight percent. During 1917, the value of imports soared upward to twelve million dollars, being nearly 11% of the total. In the next year, 1918, another headlong dash was made to a figure of thirty-nine million dollars, being more than two-thirds of the total and by far the most important article of all the imports from China in that year. Since 1919 the part played by this product has been declining. The serious drop in oil imports in 1921-22 was due mainly to the re-enacted high tariff walls, the business depression and the stoppage of many industrial activities which use these vegetable oils as one of their important raw materials.<sup>2</sup>

Less phenomenal than the increase of trade in vegetable oils was the increase in the imports of hides and skins. In the preceding period, hides and skins had already assumed an important place in the import trade, the imports amounting to between two and a half to four million dollars a year, which constituted about one-tenth of the total import from China. In 1913 trade in these articles came with a rush, and from 1913 to 1916 its value increased to more than five million dollars a year, and its share to 13% of the total. In 1917 hides and skins became one of the two most important articles of import from China, the other being silk, each

<sup>1</sup> See Table 11.

<sup>2</sup> See Ch. 8 on Vegetable Oils, *infra*.

sharing about one quarter of the whole. The value of the former attained the mark of twenty-seven and a half million dollars. In 1920, another increase was effected, totaling thirty-one million dollars, although owing to the general increase of Chinese imports, its share declined to fifteen percent. In 1921-22, however, a sharp decline occurred because of the following business depression in American leather industry; yet, in spite of its wide annual fluctuation, the trade has increased many times during this period, and the general trend of its comparative share in the total imports from China tends to rise.<sup>1</sup>

Chinese furs are imports which have assumed importance only recently. Before 1916 the annual value did not average more than half a million dollars, constituting a little more than one percent of the total value of imports. But since 1917 the increase has been remarkable, from 1.7 million dollars to 3.1 in 1918, 7.3 in 1919; and 12.5 in 1920, and then, owing to business depression, the figure dropped to 4.8 millions in 1921. Yet in 1922 it suddenly increased to nearly 14 millions. Its share of 1.5% in 1917 was raised to 6.1% in 1920, dropped to 4.7% in 1921, and recovered to 10.1% in 1922. This is rather strong evidence that Chinese furs are coming to stay in the American market as a principal article of import.

No less important was the growth of imports under the heading of "chemicals, drugs and dyes" since 1916. It should here be noted that at the beginning of the century, chemicals and drugs were imported in rather large quantities valued at an average of one and one half million dollars a year, and constituting six per cent of the total imports. About two-thirds of the imports under this item consisted of prepared opium. Since 1910 the importation of opium has been prohibited. Imports of other chemicals and drugs, such as camphor and licorice, were rather small in quantity and value and therefore the share of this item dropped to about

<sup>1</sup> See Chap. 9 on Hides and Skins, *infra*.



TABLE 22

COMPOSITION OF AMERICAN IMPORTS FROM CHINA, INCLUDING LEASED TERRITORIES, 1914-22

	Fiscal year ending June 30	1914		1915		1916		1917	
		\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1	Antimony, ore and regulus .....	166	0.4	563	1.4	3,796	5.3	1,537	1.4
2	Art works .....	64	0.2	153	0.4	270	0.4	562	0.5
3	Bristles, sorted, bunched and prepared .....	934	2.3	1,613	3.9	1,612	2.2	1,728	1.5
4	Chemicals, drugs, dyes .....	640	1.6	672	1.6	6,714	9.3	2,293	2.0
5	Cotton goods: Laces..	46	0.1	27	0.1	62	0.1	323	0.3
6	Cotton, raw .....	1,603	2.6	1,145	2.8	1,612	2.2	2,181	1.9
7	Eggs, egg yolk and other products ....	261	0.6	778	1.9	659	0.9	1,699	1.5
8	Fruits and nuts.....	444	1.1	426	1.0	504	0.7	902	0.8
9	Hair and hair nets...	182	0.5	189	0.5	524	0.7	1,176	1.0
10	Hats, hoods, bonnets, materials of .....	182	0.5	282	0.7	927	1.3	2,130	1.9
11	Hides and skins, other than furs .....	4,317	10.7	5,349	13.1	9,604	13.3	27,947	24.5
12	Jute, hemp and other fibers .....	164	0.4	211	0.5	652	0.9	474	0.4
13	Matting and mats....	619	1.5	388	0.9	183	0.3	340	0.3
14	Meats and dairy prod.	74	0.2	205	0.5	176	0.2	456	0.4
15	Oil, animal, and other grease .....	191	0.5	416	1.0	343	0.5	223	0.2
16	Oil cakes .....	...	...	...	...	11	...	24	...
17	Oil seeds .....	25	0.1	11	...	168	0.2	365	0.3
18	Oil, vegetable .....	2,861	7.1	2,944	7.2	4,264	5.9	12,022	10.7
19	Rice and rice flour...	984	2.4	1,479	3.6	1,544	2.1	1,764	1.6
20	Silk, manufactures of.	260	0.6	451	1.1	896	1.2	1,765	1.6
21	Silk, raw .....	15,719	39.0	11,459	28.1	18,707	25.8	27,851	24.8
22	Silk, waste .....	806	2.0	1,086	2.7	1,822	2.5	2,131	1.9
23	Spices, unground ....	206	0.5	149	0.4	241	0.3	253	0.2
24	Spirits, distilled .....	113	0.3	107	0.3	92	0.1	181	0.2
25	Tea .....	2,756	6.8	3,149	7.7	2,993	4.1	3,213	2.9
26	Tin .....	...	...	...	...	435	0.6	1,975	2.0
27	Vegetables .....	142	0.4	141	0.3	225	0.3	304	0.3
28	Wood, manufactures of	90	0.2	66	0.2	189	0.3	227	0.2
29	Wool, manufactured; carpets .....	75	0.2	98	0.2	281	0.4	828	0.7
30	Wool, unmanufactured	4,448	11.0	5,440	13.3	10,233	14.2	11,092	9.9
31	Furs, and manufactures of .....	774	1.9	413	1.0	808	1.1	1,663	1.5
32	Tobacco leaf .....	...	...	...	...	1	...	396	0.4
33	Other articles .....	1,731	4.3	1,420	3.5	1,924	2.7	2,769	2.5
Total .....		40,312	100.0	40,830	100.0	72,405	100.0	112,022	100.0

TABLE 22—Continued

Calendar Year

No. of Item	1918		1919		1920		1921		1922	
	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1.....	1,364	1.0	484	0.3	1,233	0.6	673	0.7	562	0.4
2.....	167	0.1	250	0.1	353	0.2	228	0.2	284	0.2
3.....	3,381	2.4	2,750	1.6	6,168	3.0	3,831	3.7	2,969	2.2
4.....	1,164	0.8	7,271	4.3	8,343	4.0	2,105	2.1	....	...
5.....	465	0.3	1,386	0.8	2,118	1.0	3,039	3.0	2,846	2.1
6.....	4,282	3.0	2,224	1.3	8,179	4.0	357	0.3	1,699	1.2
7.....	2,560	2.0	7,061	4.2	6,322	3.1	2,546	2.5	3,160	2.3
8.....	663	0.5	1,528	0.9	2,831	1.4	919	0.9	1,121	0.8
9.....	1,420	1.0	2,864	1.7	7,409	3.6	9,086	8.9	5,994	4.4
10.....	4,543	3.5	4,710	2.8	8,578	4.2	1,396	1.3	1,602	1.2
11.....	11,975	8.5	17,085	10.1	30,805	15.1	4,195	4.1	6,966	5.1
12.....	534	0.4	263	0.2	315	0.2	248	0.2	180	0.1
13.....	77	0.1	228	0.1	1,230	0.6	249	0.2	317	0.1
14.....	1,123	0.8	1,138	0.7	1,822	0.9	779	0.8	317	0.2
15.....	1,421	1.0	395	0.2	234	0.1	114	0.1	273	0.2
16.....	860	0.6	226	0.1	679	0.3	208	0.2	...	...
17.....	232	0.2	868	0.5	674	0.3	361	0.4	398	0.3
18.....	39,361	27.9	30,955	18.2	19,460	9.5	2,806	2.7	8,364	6.1
19.....	2,753	2.0	...	...	492	0.2	22	...	7	...
20.....	1,098	0.7	786	0.5	1,765	0.9	1,961	2.0	1,587	1.2
21.....	25,282	18.0	54,608	32.2	53,952	26.4	48,073	47.0	56,610	41.5
22.....	5,677	4.0	4,363	2.6	8,844	4.3	2,337	2.3	2,248	1.6
23.....	191	0.1	164	0.1	170	0.1	61	0.1	358	0.3
24.....	...	...	...	...	...	...	...	...	...	...
25.....	3,220	2.3	2,730	1.6	2,403	1.2	2,066	2.0	2,128	1.6
26.....	2,090	1.5	35	...	399	0.2	15	...	320	0.2
27.....	142	0.1	202	0.1	120	0.1	49	...	205	0.2
28.....	170	0.1	91	0.1	324	0.2	368	0.4	689	0.5
29.....	407	0.3	442	0.3	2,012	1.0	1,393	1.4	2,700	2.0
30.....	14,235	10.1	12,987	7.6	5,394	2.6	5,458	5.4	9,845	7.2
31.....	3,103	2.1	7,327	4.3	12,494	6.1	4,820	4.7	13,847	10.1
32.....	1,455	1.0	1,291	0.8	961	0.1	117	0.1	25	...
33.....	7,252	5.1	5,586	3.3	9,036	4.4	2,539	2.5	...	...
	140,806	100.0	169,646	100.0	204,222	100.0	102,416	100.0	136,671	100.0

half a million dollars a year, a little more than one percent of the total. But in 1916 there came an abnormal demand for dyes from China. Before the war China has been a heavy buyer of colors and dyes from Germany and at the beginning of the war she had accumulated a big stock of these products which she now re-exported to this country. In that year the United States imported colors and dyes from China





to a value of 4.6 million dollars, of which indigo alone was valued at three million. The total value credited under this heading "chemicals, drugs and dyes," amounted to \$6,700,000 in value, constituting 9.3% of the total. The value credited to this latter item increased to \$7,300,000 in 1919 and to \$8,300,000 in 1920, constituting about four percent of the total. Of the chemicals imported by far the most important was albumen which was then extensively used in American chemical plants. In 1919, 7,600,000 pounds of this chemical, valued at \$5,600,000, and in the next year 8,500,000 pounds valued at \$4,500,000 were imported. Other articles such as camphor, licorice root, etc., came next.

Eggs and egg products constitute a new item in the list of imports. In the preceding period, they were practically negligible in annual value but since 1915 they have begun to assume importance. In 1917 about ten million pounds of eggs both dried and frozen, valued at \$1,700,000, were imported. Their value increased to an annual average of a little less than seven million dollars in 1919-20, and then dropped to about three millions a year in the next two years. Before 1918 this item amounted to less than two percent, but in 1919 it rose to 4.2% and since then amounts to about three percent of the total imports from China.<sup>1</sup>

The increase in the imports of straw braids, materials for making hats and bonnets, was also remarkable during the period of business activity in this country. Straw braid has been imported from the Shantung province of China for nearly half a century, yet its annual import value was around the half-million dollar mark for a long time. The war demand for straw braids to provide the soldiers in the battlefields with hats suddenly increased the American importation of this article and in the three years, 1917-1919, the United States imported from China more than one billion yards of braids a year at an annual value of about four million dollars. In 1920 the value of imports of this article increased to

<sup>1</sup> See Ch. 9 on Eggs and Egg Products, *infra*.

nearly double the figure for the previous years, although the quantity increased by not more than one-half.

A very recent and perhaps the most interesting growth is noticed in hair and hair products. Sharing only a half of one percent of the total imports before 1916, and only 1.0% before 1918, it rose to 3.6% at a value of \$7,400,000 in 1920 and 8.9% at \$9,100,000 in 1921, with a slight setback in 1922.<sup>1</sup>

Another more recent growth is the importation of cotton goods from China, mostly laces and embroideries, which came into notice only after 1917 when the annual imports exceeded for the first time the mark of one million dollars. The increase was rapid and even in 1921, the trough year of American business depression, America imported about eighteen million yards of laces and embroidery edging, ninety percent of them handmade, and valued at more than three million dollars.<sup>2</sup>

Raw cotton is also an article which has only recently entered the list of American imports from China. Before 1910 there was practically no importation of this material from the Orient. From 1911 to 1916 the United States imported about ten million pounds of raw cotton yearly, valued at a little more than one million dollars. In 1917-1919, the actual quantity imported had not much increased although, due to price inflation, the value rose to much higher figures. In 1920 owing to extremely high prices nearly thirty million pounds of Chinese cotton was imported into this country at a value of \$8,200,000, four percent of the total Chinese imports. But when depression came in 1921, the United States had more than enough cotton of her own and practically all trade in this material stopped. The increase in the several previous years was due largely to the temporary demand for cheaper cotton, and henceforth we can hardly expect any substantial quantity of cotton imports from China to the United States.

<sup>1</sup> See Ch. 8 on Hair and Hair Nets, *infra*.

<sup>2</sup> See Ch. 8 on Cotton Goods, *infra*.



Another article which came into significance only in 1918-20 is tobacco leaf. For centuries the United States has been a tobacco exporting country, but imported little of it. She had been exporting tobacco to China for more than a half century, both in raw and in manufactured condition. But when the European War broke out, the demand for raw tobacco in America was so intensified that she imported large quantities of leaf tobacco from China, while still sending her own product over there. In 1916, however, the import was only 2,030 pounds of tobacco leaf at a value of three hundred and forty-nine dollars. It increased in the next year to three million pounds at \$396,000 and in the following two years to more than five million pounds at \$1,500,000 to \$1,300,000 respectively. The demand, however, has, as was the case with raw cotton, ceased recently and there can be no recovery in the import of this article in the future.

Antimony and tin had each for a time been important articles of Chinese imports, but the demand for them has also greatly lessened after the war.

Of all the articles which have come into importance since the beginning of the present period, only a few seem to be able to retain their important share in the American import trade with China. Vegetable oils, hides and skins, furs, egg products, cotton laces, and perhaps hair and hair products are things for which the United States has a demand which is not likely to dwindle away in the near future; while antimony, tin, raw cotton, tobacco leaf, indigo and a few others were imported in large quantities to meet only the most urgent but temporary demand caused by the war, and therefore future development in them can hardly be expected.

The only article which is dwindling in importance is tea. In former periods tea was by far the most important article of import from China. At the beginning of this century, it still constituted one-fourth of the total, but at the beginning of the present period, its share dropped headlong to about seven percent with a value of three million dollars a

year. Since 1917 its share has suffered successive drops and in 1920 it constituted only 1.2% of the total.<sup>1</sup>

Among those articles whose relative importance in the trade has kept a nearly equal pace with the growth of the total Chinese imports are (1) silk and silk manufactures, (2) bristles and (3) wool, omitting some other relatively unimportant articles such as fruits and nuts, rice, vegetables, etc. Since the end of the last century silk has been the most important article of import from China. Taking raw silk, silk waste and silk manufactures together, they usually constituted thirty-five to forty percent of the total Chinese imports, but from 1915 to 1918 this share had decreased by about ten percent, although both the quantity and value increased greatly. But since 1919 silk has fully recovered its former importance and in 1921-22 its value constituted forty-five percent of the total value of imports.<sup>2</sup>

Unmanufactured wool has for a long period been one of the most important imports. In the preceding period it constituted an average share of ten percent. This share it has retained in the last decade under discussion. In 1916 to 1921 the United States imported from China some forty or fifty million pounds of unmanufactured wool each year at an average value of \$12,500,000. In 1920 a big drop both in quantity and value occurred, but in 1921-22 the quantity of wool imports resumed its former size, though the low price somewhat depressed its total value.<sup>3</sup>

Generally speaking, America's imports from China, like her imports from other Oriental countries and South America, are composed largely of raw and semi-raw materials. They are imported for the purpose of further production and not for immediate consumption. This is true of nearly all the most important items, such as raw silk, vegetable oils, hides and skins, wool, straw braids, etc. The tendency in the future will be a gradual increase of this kind of imports,

<sup>1</sup> See Ch. 6, *infra*.

<sup>2</sup> See Ch. 7, *infra*.

<sup>3</sup> See Ch. 9 on Wool, *infra*.



as, on the one hand, various branches of American industry will require more of these raw materials, and, on the other, China will be able to supply more as her agriculture and simpler forms of industry are gradually developing. The importation of finished or consumers' goods, on the contrary, shows a tendency toward decreasing importance. First, the recent decline of the tea trade, both in absolute quantity and relative share, shows clearly that in this article China will hardly be able to recover her old prestige. Silk manufacture has also declined in its relative share, although in absolute quantity it has held its own. The share of manufactured wool, mostly in the form of carpets, is also insignificant, usually less than one per cent, while the imports of such articles as manufactures of wood constituted only one- or two-tenths of one percent.

China has nevertheless been able to export some kinds of manufactured products to the United States whose relative importance is on the rise. These articles invariably require a great deal of hand labor, and in this respect China has a stronger competing power in the market than any country in the world. This class of manufactures is typified by laces, embroideries, hair-nets and other products, all of which were before the war supplied to the United States by European countries.

2. *Changes in the composition of American Exports to China.* Nothing is clearer as an indication of the tendency of American export trade with China than an examination of the changing composition of the trade during recent years as summarized in the following list:

1. Declining both in absolute volume of trade and relative share:
  - (a) cotton cloth
  - (b) breadstuffs including wheat flour
2. Declining in relative shares, but gaining in absolute quantity:

- (c) mineral oils.
3. Gaining in volume of trade, by keeping nearly constant shares:
  - (d) timber and lumber
  - (e) fruits and nuts
  - (f) meat, dairy products and other provisions
4. Gaining in importance both in absolute values and in relative shares:
  - (g) leather goods
  - (h) tobacco, both manufactured and unmanufactured
  - (i) iron and steel products and machinery
  - (j) other metals.
5. Articles newly coming into importance:
  - (k) cars and carriages
  - (l) electrical machinery
  - (m) paper products and books
  - (n) chemicals and drugs
  - (o) rubber manufactures.

In the two previous periods cotton cloth had been by far the most important article of American export to China; second came refined mineral oils, then bread stuffs, of which a great part was wheat flour. Tobacco in manufactured condition occupied an important place in the list though it was far less important than those just enumerated. The exportation of machinery, cars, and carriages was practically negligible, though other manufactures of iron and steel began to be exported to China in large quantities in the latter half of the previous period.

Since 1914 considerable changes have taken place in the exports from the United States. Cotton cloth, which constituted from one-half to two-thirds of the total value of exports before 1905, had already declined to no more than



one-fourth after that year, and since the outbreak of the war, its decline has proceeded with an even greater rapidity. At present it constitutes no more than five percent of the whole export trade and in some years during the war its share even went down to one or two percent. Cotton cloth in the American export trade is, therefore, the counterpart of tea in the import trade. Both articles had been of prime importance in the past, and both are now, for reasons given in the following chapters, diminishing in importance to an almost irrecoverable degree.<sup>1</sup>

Breadstuffs, of which wheat flour constituted nearly nine-tenths of the value, was for some years in the preceding period heavily exported to China. Usually they amounted to between three and four percent of the total value of exports. But in 1907, which was of course an exceptional year, the value of flour and other stuffs exported to China rose to \$7,700,000 or twenty-eight percent of the total. During the present period these foodstuffs have practically dropped out of the trade, amounting to a small fraction of one percent. In 1921 and 1922 the export value was abnormally high, standing at \$2,800,000 and \$8,400,000 respectively or 2.4% and 7.9% of the total. But a large part of all these stuffs were sent to the North China famine-stricken districts for relief purposes and were not the result of commercial transactions. This item, therefore, may be said to have dropped out of Chino-American trade.

Mineral oils attained first place in the list when cotton cloth lost its hold. Since the end of the last century the annual quantity and value of this export has been steadily on the increase and has on the average constituted one-fourth of the total exports. During the last decade its aggregate value has been increasing, but its share in the total has decreased to about one-eighth.<sup>2</sup>

Tobacco, both in raw and finished state, has come to be one

<sup>1</sup> See Ch. 10, *infra*.

<sup>2</sup> See Ch. 11, *infra*.

of the two or three most important articles of export to China, and its growth both in absolute quantity of trade and in relative share has been a remarkable phenomenon. At the beginning of the last period, practically no raw tobacco and only very little in manufactured form was sent to China. Until the beginning of the present period the value of both finished and raw tobacco was three or four million dollars, constituting an aggregate share of fifteen percent. Now each kind is exported in increasing quantities, usually valued at more than ten million dollars, and representing nearly one-fifth of the total exports. The export of raw tobacco has increased at a higher rate of speed than manufactured tobacco, the former usually doubling that of the latter.<sup>1</sup>

Leather manufactures were insignificant in the trade prior to the beginning of the present period, amounting to not more than a half of one percent at a maximum actual value of \$135,000. But during this period, and especially after 1917, this item has come to be an important one among the exports to China. The total value of this commodity exported to China had twice reached the three million dollar mark in 1917 and 1918, and its share amounted to 7.1% and 4.9% respectively. In 1919-22 it stood around one and a half million dollars, constituting about 1% of the total exports to China.

The most significant increase during this period was in the export of iron and steel machinery and other manufactures. Ten years ago, in 1913, trade in these articles amounted to nearly three million dollars, or 13.2% of the total exports to China. During the last few years, it rose several times to more than thirty million dollars a year, constituting from one-fourth to one-third of the total exports.<sup>2</sup>

Manufactures of other metals, such as lead, tin, copper, zinc, brass, aluminum etc., are also rapidly increasing. In former years copper only had been exported to China in large but spasmodic quantities. Trade in other metals and

<sup>1</sup> See Ch. 12 on Tobacco, *infra*.

<sup>2</sup> See Ch. 13, *infra*.



TABLE 23

COMPOSITION OF AMERICAN EXPORTS TO CHINA, INCLUDING LEASED TERRITORIES, 1914-22

June 30 Fiscal year ending		1914		1915		1916		1917	
Article		\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1	Breadstuff, incl. flour.	1,211	4.6	97	0.5	55	0.2	45	0.1
2	Cars, carriages and parts .....	233	0.9	232	1.3	308	1.2	892	2.1
3	Chemicals, drugs, dyes	141	0.5	281	1.6	1,306	5.0	972	2.3
4	Cotton cloth .....	6,096	23.1	1,195	6.8	863	3.3	406	1.0
5	Cotton goods and wearing apparel ...	91	0.3	66	0.4	105	0.4	320	0.8
6	Cotton, raw .....	588	2.2	734	4.2	729	2.8	403	1.0
7	Electrical machinery and appliances ....	239	0.9	242	1.4	417	1.6	1,143	2.7
8	Fruits and nuts.....	78	0.3	89	0.5	109	0.4	183	0.4
9	Glass and glassware..	21	0.1	49	0.3	270	1.0	161	0.4
10	Indian rubber, mfs. of	74	0.3	49	0.3	83	0.3	87	0.2
11	Iron and steel, mfs. of	2,120	8.0	2,422	13.8	4,944	18.8	7,431	17.8
12	Iron and steel mach'y	1,140	4.3	564	3.1	985	3.7	1,821	4.4
13	Leather, tanned skins and mfs. of.....	145	0.6	136	0.8	358	1.4	2,968	7.1
14	Metals, other than iron and steel, and mfs. of	136	0.5	263	1.5	769	2.9	596	1.4
15	Meat, dairy products and other provisions	144	0.6	322	1.8	330	1.3	961	2.3
16	Oils, mineral, refined.	7,173	27.2	6,411	36.5	6,765	25.8	5,843	14.0
17	Paper, paper products, books .....	192	0.7	234	1.4	683	2.6	1,342	3.2
18	Paraffin and wax.....	333	1.3	572	3.3	583	2.2	583	1.4
19	Tobacco, manuf'd ...	1,782	6.7	1,206	6.8	2,511	9.6	9,154	22.0
20	Tobacco, unman'f'd ..	2,005	7.6	612	3.5	1,233	4.7	1,713	4.1
21	Wood, timber boards, planks, etc. ....	1,147	4.3	555	3.2	353	1.3	272	0.6
22	Wood, other mfs.....	368	1.4	234	1.3	251	1.0	636	1.5
23	Other articles .....	843	3.3	1,026	5.8	2,246	8.5	3,733	9.0
Total .....		26,346	100.0	17,591	100.0	26,523	100.0	41,665	100.0

their manufactured products was so trifling as not to justify listing them separately. They are therefore given as a combined item in Table 23. But during recent years export of these metal products is increasing at a remarkable rate and in 1921-22 it amounted to more than six million dollars a year and constituted six percent of the total export trade.

Cars and carriages, and electrical machinery and appli-

TABLE 23—Continued

Calendar year	1918		1919		1920		1921		1922	
No. of Item	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%	\$1,000	%
1.....	36	.01	192	0.2	302	0.2	2,778	2.4	8,373	7.9
2.....	1,698	2.9	4,936	4.2	4,966	3.3	3,346	2.9	3,325	3.1
3.....	1,825	3.1	4,348	3.7	8,613	5.6	1,515	1.3	2,469	2.3
4.....	915	1.5	6,410	5.4	7,701	5.0	2,282	2.0	1,940	1.8
5.....	340	0.6	909	0.8	1,523	1.0	300	0.3	343	0.3
6.....	558	0.9	1,786	1.5	2,092	1.4	10,051	8.8	3,594	3.4
7.....	1,493	2.5	1,904	1.6	4,377	2.9	4,464	3.9	1,655	1.6
8.....	218	0.4	524	0.4	598	0.4	415	0.4	513	0.5
9.....	364	0.6	588	0.5	756	0.5	274	0.2	129	0.1
10.....	197	0.3	557	0.5	828	0.5	315	.03	191	0.2
11.....	13,148	22.2	20,528	17.3	24,980	16.3	10,752	9.5	6,074	5.7
12.....	3,220	5.4	16,864	14.2	18,217	11.9	19,652	17.3	11,136	10.5
13.....	2,894	4.9	1,950	1.6	1,553	1.0	773	0.7	1,059	1.0
14.....	443	0.7	1,024	0.9	4,020	2.6	5,746	5.0	6,840	6.5
15.....	652	1.1	1,112	0.9	1,011	0.7	956	0.8	876	0.8
16.....	4,573	7.7	20,569	17.2	19,469	12.7	14,262	12.5	21,712	20.5
17.....	2,318	3.9	3,503	3.0	5,272	3.5	2,830	2.5	1,618	1.5
18.....	614	1.0	909	0.8	819	0.5	1,055	0.9	748	0.7
19.....	11,537	19.5	10,146	9.7	16,086	10.5	11,699	10.3	17,084	16.1
20.....	5,864	10.0	6,328	5.3	13,316	8.7	8,406	7.4	10,721	10.1
21.....	425	0.7	1,601	1.4	4,206	2.8	1,947	1.7	2,217	2.1
22.....	846	1.4	1,494	1.3	1,789	1.2	438	0.4	3,170	3.0
23.....	4,957	8.4	10,293	8.7	10,382	6.8	9,372	8.2	....	0.3
Total..	59,135	100.0	118,275	100.0	152,876	100.0	113,605	100.0	106,074	100.0

ances are items which entered into the realm of Chino-American trade only in the past few years. Ten years ago, the value of exports was no more than one-quarter of a million dollars for each of the items; now, it reaches four or five million dollars. Ten years ago each of them constituted scarcely one percent of the total exports. Now they amount to three or four percent.

Another group of products whose rising importance is tantamount to that of the preceding items is paper products, including books. Only twenty years ago foreign paper and books were sent to China solely for the use of foreigners residing in China, so the volume of trade in them was necessarily negligible. Now these articles have come into gen-



eral use among the Chinese school boys. Since 1918 America alone has exported to China papers and books to a value of two to five million dollars a year or two to five percent of the total.

From the above tedious enumeration we may draw the following conclusion:

1. The simpler forms of manufactures, which formed the most important part of American export to China in the past decades, are now decreasing in importance both in absolute quantity and in relative shares, and it seems that this tendency will persist in the future. Cotton cloth and wheat flour may be taken as two examples of this class of products. As already stated, China is developing her simpler forms of industry with remarkable rapidity and she is adding every year a great many flour mills, cotton factories, etc., to the host of those already in existence. It is unlikely that foreign countries can compete with her in such lines within her own territory.

Manufactured tobacco might seem to be an exception to this general conclusion. Although this article is also a simpler form of manufacture it is being exported to China in increasing quantities. Yet the tobacco manufacturing industry is developing in China no less rapidly than the flour and cotton industries. It is owing only to the fact that the spread of the cigarette habit among the Chinese has outstripped the development of the cigarette industry in China, that she still has to import a great part of her manufactured tobacco from this country. But, nevertheless, the present tendency that American exports of unmanufactured tobacco to China have increased at a more rapid rate than those of manufactured tobacco, clearly shows that this form of industry is developing in China, and American exports of manufactured tobacco will decrease in amount sooner or later as has been the case with cotton cloth and wheat flour.<sup>2</sup>

<sup>1</sup> See Ch. 11, *infra*.

<sup>2</sup> See Ch. 12 on Tobacco, *infra*.

As to mineral oils, China has so far not been able to utilize her own oil fields, so she still depends largely upon the United States for its supply. Yet as electric lighting becomes more prevalent in most of the towns and cities in China any unlimited increase in the trade of these lighting oils can hardly be expected. The export figures during this period clearly indicate a decline of the share that this item formerly held.

2. Those articles which are the products of complex and large-scale industry show a decided tendency to increase both in absolute quantities and in relative share in the export trade. Iron and steel machinery and other manufactures, have increased at a most rapid rate, and in like manner, but to a less extent, cars, carriages, electrical appliances, chemicals and drugs, etc. The United States has a comparative advantage in these articles not only over China but also over other competing countries in the world because she is in possession of a great many highly developed industries engaged in a large scale production.

### *Balance of Trade*

With the exception of the single year 1921 the balance of trade between China and the United States has been, as in former periods, consistently in favor of China. This condition prevails rather generally in American trade with the Oriental countries. Beginning in 1915, when America was first pressed with war orders from Europe, her demand for many sorts of raw materials became more urgent, and China was just in a position to furnish them. This condition continued to 1917, a year which showed a record balance in the history of American trade with China. The huge increase in the balance was due, on the one hand, to the rapid expansion of imports from China, and on the other, to the slow development of export trade thereto.

A change from a rising to a falling trend in the balance was first evident in 1918 when peace was restored in Europe.



TABLE 24  
THE BALANCE OF AMERICAN TRADE WITH CHINA, 1913-22

Calendar year	China,		China, Leased Territories		China through Hongkong (estimated)		Total (algebraic)	
	+	-	+	-	+	-	+	-
1913	.....	14,821	368	.....	4,922	.....	.....	9,531
1914	.....	15,946	718	.....	4,229	.....	.....	11,000
1915	.....	33,089	464	.....	3,693	.....	.....	28,942
1916	.....	48,526	372	.....	5,717	.....	.....	42,437
1917	.....	84,814	.....	9,861	6,321	.....	.....	88,354
1918	.....	58,400	.....	23,659	7,823	.....	.....	74,236
1919	.....	48,639	.....	2,757	7,729	.....	.....	43,667
1920	.....	46,971	.....	4,375	10,106	.....	.....	41,190
1921	7,155	.....	4,035	.....	7,827	.....	19,017	.....
1922	.....	34,252	3,655	.....	8,077	.....	.....	22,520
1923 <sup>d</sup>	.....	72,767	2,270	.....	11,073	.....	.....	59,424

<sup>a</sup> Fiscal year ending June 30.

<sup>b</sup> Only Kwantung, other English, French and former German Leased Territories, because of the small size of their trade with America, are included in "China," since 1917.

<sup>c</sup> Based on the estimated "Chinese trade through Hongkong," as shown in Table 19, Chapter IV, *supra*. Although the writer is of the opinion that, judging from the composition of the China-Hongkong trade as reported in the Chinese Customs Returns and of the America-Hongkong trade as reported in the *Foreign Commerce and Navigation of the U. S.*, the balance of American-Chinese trade through Hongkong must be in favor of America, yet these balances as here shown, especially those in 1918-1920, might be too large. But owing to the confusion of this transshipment no accurate figure can be obtained.

<sup>d</sup> Fiscal year ending June 30.

After the armistice was signed a greater part of the war orders which had been coming with a rush from Europe to America were gradually stopped. This enabled the latter to increase her exports to China enormously. Therefore, in spite of the continuous expansion of imports from China the balance became less and less favorable to her.

Another turn of the trade balance came with the business depression in America in 1921. In this year, nearly all branches of American industry curtailed their activities and thus diminished the demand for raw materials. Many kinds of Chinese raw materials which were in great demand in America suddenly ceased to move in the American market. On the other hand, the rapid development of industrial China, stimulated by the war, is continuing its course and requires American machinery and other equipment in increasing quantities. This condition turns the balance for the first time since 1906 in the opposite direction (See Table 24).

But with the gradual recovery of business activities in America in 1922-23 and the temporary depression in China, the United States soon resumed its large amount of purchases from the Orient, offset by comparatively small sales thereto. Therefore, the balance in 1922-23 was again highly "in favor" of China.

These huge balances were paid in part at least by silver and gold which during the last decade were exported in huge quantities from America to China. In previous chapters, we noted that the United States, being a silver and gold producing country, has consistently shipped those treasures to the Orient. But before 1913 there was practically no direct export of gold to China, although some of this metal was sent to Hongkong. Since 1916, heavy exports of gold have been sent to China and Hongkong as part payment of the excess of American imports over exports. Silver has also been sent there in even greater quantities. The actual figures of these gold and silver movements are shown in Table 26.



*Silver-Gold Situation During the War: Treasure movements between the United States and China.*

It may be interesting to make a further and brief study of the gold-silver situation during the period under discussion. Of course, silver is one of the most important commodities in American commerce, gold occupying a similar position in the trade of China. Our study of Chino-American trade will, therefore, be incomplete, if we overlook these two commodities.

One of the most striking features of the trade statistics of these two metals is the wide variation in their relative price, which they have undergone during the comparatively short period of ten years. The following table shows the Annual Average exchange of the Haikwan Tael in American dollars at average sight rate on New York 1913-1922.

TABLE 25

AVERAGE RATE OF EXCHANGE	
Year	One HK. Tael = Am. Dollar
1913.....	\$0.73
1914.....	0.67
1915.....	0.62
1916.....	0.79
1917.....	1.03
1918.....	1.26
1919.....	1.39
1920.....	1.24
1921.....	0.76
1922.....	0.83

As to the causes of the phenomenal rise in the price of silver from 1915 to 1920 we may first mention the declining world output of this metal. Before the war, the world's production of silver averaged between two hundred and twenty and two hundred and twenty-six million ounces per year; but in 1914 it dropped to two hundred and eleven million ounces; in 1915 to 179,000,000; in 1916 to 157,000,000; rising to 211,000,000 in 1917 and to 177,000,000

in 1918, but again falling to 175,000,000 ounces in 1911, and to an amount estimated at slightly less than that in 1920.<sup>1</sup> The United States produces about one-third of the whole output.<sup>2</sup> A second cause was the extraordinary demands of the belligerents for silver after 1915. Gold had disappeared from circulation, being hoarded either by the central banks or by the people of the warring nations. England, France, Russia, Italy and other nations began to coin silver in large amounts so as to supply the needs of the people for "hard" money. Thirdly, the Oriental silver-using countries, with their increasing exports and favorable balance of trade demanded silver in squaring their account. In the latter half of 1915, therefore, the price of silver rose steadily and this upward swing did not stop its course until the latter part of 1920.

Before the rise in the price of silver in 1915 it first dropped in 1915 to the lowest figure it ever reached. The Chinese looking from the opposite angle saw not a drop in silver but a rise in gold. So they disposed for the sake of profit of much of their surplus gold to America, an amount worth \$6,300,000. This was the biggest importation of gold the United States had ever received directly from China in any one year except 1920. (See Table 26).

In 1916, owing to the rising price of silver, China disposed of a large amount of her surplus silver to India and Russia at prices that, at the time, were considered most satisfactory.<sup>3</sup> In 1917, however, she found herself forced into the American market to replenish her stock, and made many heavy purchases there. This new demand for silver in China is said to have been responsible for the further advance of the price of silver in the latter half of that year.<sup>4</sup>

Owing to the heavy American purchases of raw materials in large quantities from China and other Oriental countries,

<sup>1</sup> Cross, I. B. Domestic and Foreign Exchange, 1923, p. 427.

<sup>2</sup> *Ibid.*

<sup>3</sup> See Chinese Customs Returns and Trade Reports, 1916.

<sup>4</sup> Cross, *op. cit.*, p. 431.



it was necessary to pay a large quantity of hard metals for them. But the Americans disliked to pay in gold at this juncture inasmuch as they were doing all within their power to conserve their gold holdings. They finally arrived at the happy idea of paying China out of the large supply of silver dollars which the United States Treasury had stored away as security for the outstanding silver certificates. This was provided for by what is known as the Pittman Bill, signed by President Wilson on April 25, 1918. This Act, in brief, authorized the United States Secretary of the Treasury to melt and sell as bullion not over 350,000,000 standard silver dollars, then being held by the Treasury, and to sell the bullion thus obtained at not less than \$1.00 per ounce. Up to May 6, 1919, 260,000,000 silver dollars had been melted down under the provisions of the act for use in foreign trade. During 1918 and 1920, the domestic silver exports to China amounted to a value of \$117,398,000, and those to Hongkong to \$39,528,000. Besides these domestic exports, there were during these two years, foreign silver exports to China valued at \$37,000,000 and exports to Hongkong at \$7,825,-000.

With the price of silver going still higher, as the time went on, American exchange and trade relations with China and some other Oriental countries were seriously menaced. In 1919 one Haikwan Tael exchanged for \$1.39 American currency, which is more than two times the exchange rate in 1915. In order to correct the situation to some extent, the United States treasury and the Federal Reserve Board arranged in December, 1919, to deliver the "free" silver dollars in the Treasury (viz., silver dollars not used as security for silver certificates) to the Division of Foreign Exchange of the Federal Reserve Board, which would, acting through the Federal Reserve Bank of New York in cooperation with the branches of American banks in the Orient, employ such dollars in regulating American exchanges with silver stand-

TABLE 26  
AMERICAN EXPORTS AND IMPORTS OF GOLD AND SILVER COINS AND BULLION TO AND FROM CHINA AND HONGKONG, 1913-1922  
Unit = \$1,000

Year	China										Hongkong										Net Exports of silver to China and Hongkong	Net Exports of gold to China and Hongkong	Net Import of gold from China and Hongkong	
	Exports to					Imports from					Exports to					Imports from								
	Gold		Silver			Total	Gold		Silver			Total	Gold		Silver			Total						
	Dom.	For.	Dom.	For.	Dom.		For.	Dom.	For.	Dom.	For.													
1913*	103	...	2,222	...	7	2,332	15	11	...	26	10	1	7,730	...	...	7,741	...	...	...	9,949	...	100	...	1913
1914	...	...	1,316	...	97	1,413	...	...	...	...	6	...	8,058	51	...	8,115	...	...	...	9,522	...	6	...	1914
1915	...	...	225	...	2	227	6,268	...	...	6,268	47	...	5,797	21	...	5,865	...	...	...	6,045	...	...	...	1915
1916	4,806	...	2,489	...	...	7,295	1,632	480	...	2,110	4,779	65	5,752	29	...	10,625	...	...	...	7,791	...	8,018	...	1916
1917	702	...	7,564	...	46	8,266	...	218	...	218	1,618	...	4,891	...	...	6,509	...	...	...	12,283	...	2,320	...	1917
1918**	...	...	14,869	...	840	15,709	...	...	...	...	...	...	12,007	227	...	12,234	...	...	...	27,943	...	...	...	1918
1919	38,954	156	56,932	20,651	116,693	...	...	...	...	...	40,085	1	9,233	1,013	...	50,332	10,018	20	10,038	87,809	...	69,178	...	1919
1920	28,287	...	45,597	15,751	89,635	...	...	1,295	...	1,296	31,487	10	18,288	6,585	...	56,370	30,192	2	30,194	84,923	...	29,590	...	1920
1921	...	...	5,673	7,110	12,783	17,913	...	8	...	17,921	9,621	...	5,818	4,590	...	20,029	5,661	...	5,661	23,182	...	...	...	1921
1922	100	250	9,007	11,569	20,926	8,938	12	8,950	...	...	3,582	...	10,163	6,272	...	20,017	15	...	15	37,000	...	...	...	1922

\* From 1913 to 1917, fiscal year ending June 30.

\*\* Since 1918, calendar year.



ard countries, especially China.<sup>1</sup> About \$13,000,000 of silver was shipped to Shanghai under this arrangement during the early months of 1920.<sup>2</sup> The sudden decline in the price of silver which occurred within a few months made further shipments unnecessary.

The United States had shipped not only much silver to China during the war and immediately after it, but also a huge quantity of gold. During 1919 and 1920, when the drain on the American silver supply was most oppressive America sent to China gold to the value of \$67,000,000 and to the value of \$71,600,000 to Hongkong. But when the silver situation eased up and the price of silver dropped almost to its pre-war level, a portion of this gold was sent back to America in 1920 and 1921.

<sup>1</sup> Cross, *op. cit.*, p. 434.

<sup>2</sup> *Ibid.*

## PART II

### Some Important American Imports from China



## CHAPTER VI.

### TEA.

1. *Early History of Tea Trade between the United States and China.* The early history of tea in the West is intimately bound up with that of the foreign trade of China. In all probability Chinese tea first reached America from England.<sup>1</sup> Since 1711 the British East India Company practically monopolized the tea trade between China and the United States, and it is said that the company reaped a handsome profit therefrom.<sup>2</sup> Although it is impossible now to determine the exact quantity of tea imports into the American Colonies in those days, yet it is fairly certain that this article took a quite significant share of the total colonial imports.

It is quite interesting to note the early American tea trade in connection with the American Revolution and the establishment of the United States. Although tea is an article which may be said to have connotations eminently peaceful, yet it has been the cause of several wars and a number of political problems. It was the three-penny tax on Chinese tea that led the English colonists to revolt against their mother country and to establish the United States. It was Chinese tea that was chosen above all others to emphasize the principles that "All men are born free and equal" and that "taxation without representation is tyranny." Who, in looking back over a long range of events in American history, can fail to have his attention attracted to what has been termed, with a characteristic touch of American humor, "The Boston Tea Party of 1773"?

After the reestablishment of peace the first direct commercial transaction between the United States and China was

<sup>1</sup> Walsh, J. M.; *Tea; Its History and Mystery*, p. 23. Philadelphia, 1892.

<sup>2</sup> Day, Samuel Phillips; *Tea, Its History and Mystery*, p. 59. London, 1878.



concerned with tea.<sup>1</sup> In 1784 the American ship *Empress of China* was sent to China, and in the following year brought back a full cargo of the herb, reaping a handsome profit.<sup>2</sup> Since that time swift ships have been expressly built in the United States for the tea trade. They were the first of the class of vessels known as "clippers" in which speed was sought at the expense of carrying capacity, and by which the average passage was reduced twenty or thirty days for the round trip.<sup>3</sup> During the last ten years of the eighteenth century, the American importation of tea averaged about 2,600,000 pounds each year, a small part of which—usually less than five per cent—was imported indirectly by way of England. Very little was re-exported because the quantity imported was just enough for home consumption.

As the American merchant marine became more developed and especially active in Chinese waters,<sup>4</sup> tea trade accordingly increased in volume. From 1800 to 1810 the annual import was about 5,400,000 pounds, being more than double the figure of the preceding decade. The exportation of teas from China in American ships, however, was not to supply the home market alone. There were also large shipments of tea to other countries, both directly from China and by re-exportation from the United States. During the Napoleonic wars the proportion of re-export was large, amounting usually to a third of the year's imports.<sup>5</sup>

The American war with England in 1812 caused a serious decline in the Chinese tea trade with America. But after the close of the war the recovery was rapid, and in a few years tea had almost become the sole important article of import from China. In value the proportion of tea to the total American imports from China during the early years is

<sup>1</sup> See Ch. I.

<sup>2</sup> *Ibid.*

<sup>3</sup> Walsh, J. M.; *Tea; Its History and Mystery*, p. 6.

<sup>4</sup> See Chapter I.

<sup>5</sup> Pitkins: *Statistic View of the Commerce of the United States*, ed. 1836, pp. 246-247.

shown quinquennially in Table 27. It can be readily seen that in the years following 1814 the relative proportion of tea to other Chinese imports constantly increased, until in 1840 it amounted to eighty-two per cent. of the total. After this year the ratio declined, though slowly, and in another score of years it became 65.5 per cent.

TABLE 27  
THE PROPORTION OF TEA IMPORTS TO THE TOTAL AMERICAN  
IMPORTS, FROM CHINA

Year	Per cent.	Year	Per cent.
1821.....	42.5	1840.....	82.0
1825.....	49.5	1845.....	79.0
1830.....	62.5	1850.....	71.5
1835.....	75.5	1855.....	70.0
		1860.....	65.5

During this early period the absolute increase in the quantity of tea imported was fairly steady, from five million pounds in 1821, to nine millions in 1830, twenty millions in 1840, thirty millions in 1850, and twenty-six millions in 1860; but the per capita consumption in this country did not show any regular increase.

After the beginning of the nineteenth century the American tea traders entered into very keen competition with the British East India Company. Not only was the monopoly in tea trade which the company had enjoyed throughout the eighteenth century ruined, but the very existence of the Company was threatened, because the English Parliament felt dissatisfaction over the company's defeat. This led R. M. Martin, a member of the English Parliament, to make an elaborate report to the legislature for the purpose of defending the company.<sup>1</sup> This, however, had little effect, and

<sup>1</sup> Martin, R. Montgomery: *The Past and Present State of the Tea Trade of England, and of the Continent of Europe and America*. London, 1832.



the charter of the East India Company was not renewed at its expiration in 1833.

The success of American tea traders in their competition with the British concern is said to be that in striking contrast with the British policy in applying a heavy duty to tea trade and thus checking trade extension, the United States exempted tea almost entirely from duty. This has been the case since 1832.<sup>1</sup>

2. *The beginning of Japanese Competition.* Up to 1856 Chinese tea was the only tea used in the United States as well as in all other countries. But since that year China's tea monopoly has been gradually shattered, her supremacy challenged and then utterly ruined. It is sad, therefore, for the writer to review the history of China's defeat in the American tea market first at the hands of Japan, then at those of India and recently, to a lesser extent, of Java. Yet the whole history of China's tea trade with America after 1856 is nothing more than a chapter of defeat in this competition.

In 1856 a small quantity of Japanese teas—"consisting of about fifty half chests"—was first received in the United States.<sup>2</sup> "Being found pure and free from coloring-matter," it soon became very popular with consumers, a large number of whom were prejudiced against Chinese green teas at the time, under the impression that they were more or less artificially colored. The demand steadily increased, four hundred half-chests being imported the following year and one thousand one hundred chests in 1859.<sup>3</sup> About 1860 the Japanese changed their mode of curing, adopting that of the Chinese as applied to green teas, with the result that the color was altered from a dark to a light green, and a high malty flavor was imparted.<sup>4</sup> Since that time Japanese teas

<sup>1</sup> Nye, Gideon: *Tea and Tea Trade*. Canton, 1850. Part II, p.

<sup>2</sup> Walsh, J. M., *op. cit.*, p. 99.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*, p. 100.

have continued to grow in popular favor, not because Japanese teas were in any sense of the word better than the Chinese teas, but simply because they were prepared in such a way as to suit the American fancy and command a market in America. They found little market in England and other European countries, where the consumers in those days still favored Chinese teas.<sup>1</sup>

Insignificant as the beginning of the Japanese tea trade might seem to be, yet the root of the victory of Japanese teas over the Chinese lies in the very fact that the Japanese whether for good or for ill can make their product suit the American fancy. "In the selling market the buyer holds the key." With his choice the seller must comply. Always sticking to her good old rule, China did not seem to care for this. Her tea trade failed in this, in the same way that her silk trade failed. No regular separate statistics for the imports of Japanese teas into the United States for the period before 1865 can now be obtained. Since then, however, complete statistics may be compiled from the data supplied by the United States Bureau of Statistics. From Table 28 we notice that down to the end of the nineteenth century China and Japan together held the monopoly of the American tea market. Though the direct imports from these two countries were usually ninety-five per cent of the total American tea imports, some Chinese teas still continued to be shipped here indirectly by way of England while Indian and Ceylon teas took an insignificant part, usually less than one per cent. The following table shows the decline of Chinese tea imports into America on the one hand, and the expansion of Japanese on the other during the last three decades of the nineteenth century.

From 1865 to 1894, a period of three decades, the imports of tea into the United States had been more than trebled in consequence of the expansion of the nation and the increase of population, both the Chinese and the Japanese imports

<sup>1</sup> *Ibid.*



having increased in absolute amounts. Yet the Japanese share became larger and larger, while China's suffered an irrecoverable decline. In the first five years, 1865-69, Japan had a share of less than one fifth of the total, while China's share was greater than three fourths. In only a decade the former increased to more than one third and the latter diminished to less than one half. Since 1880 Chinese teas have been able to hold their own even though they have felt keenly the severe competition of Japan. This, together with the diminishing importance of raw silk exports to the United States due to similar competition, explains why the total American imports from China did not make any appreciable increase during the second period of our trade history.

TABLE 28  
THE DISTRIBUTION OF AMERICAN TEA TRADE  
1865-1894

Years	Total Annual Average Import in 1,000 lbs.	Total %	China in 1,000 lbs.	% of the total	Japan in 1,000 lbs.	% of the total
1865-69	34,789	100	26,674	77%	6,674	19%
1870-74	56,642	100	37,997	67	14,120	25
1875-79	62,330	100	29,810	48	25,433	41
1880-84	74,784	100	38,927	52	34,076	46
1885-89	81,606	100	41,078	50	35,692	43
1890-94	88,000	100	45,155	51	38,335	44

3. *The Decline of Chinese Tea Trade with America.* The beginning of the decline of Chinese tea trade with America dates back thirty years. In 1895 the total American direct imports of tea from China attained their highest mark, being fifty-five million pounds. Since then the drop has been consistent and heavy, and China appears to have lost perhaps for all time her profitable trade with America. The disastrous drop in tea imports can be graphically presented in the following average quinquennial figures. It

dropped first from forty-eight million pounds in 1895-99 to forty-seven millions, in 1900-4, then to thirty-four millions in 1905-9, to twenty-three millions in 1910-14, and even after the outbreak of the European War when other imports from China were greatly stimulated and increased, tea imports dropped again to nineteen million pounds, in 1915-19, and to eleven millions in 1920 with only a little recovery since 1921. The percentages of these figures, computed on the total American tea imports in the corresponding periods as bases, are 54%, (1895-99), 49%, 35%, 24%, 17.5% (1915-19) and 11.8% respectively. (See Table 29.) To the causes which underlie this decisive defeat of China in the American tea market, the rest of the chapter will be chiefly devoted.

#### *Causes of the Decline*

There are two main causes of the final ruinous decline of Chinese tea trade with America. The first, which we may term as the internal cause, is the inefficiency in the method of tea manufacture and the non-improvement of the quality of teas in China; and the second, which we may term as external, is the strong competition from nearly every country in the Far East—first, Japan, then India and Ceylon, Java, and finally even Formosa, formerly a part of China's own territory! These two causes, though properly so distinguished, combine to produce a single result that the improvement in the culture and in the manufacture of tea in other countries outstripped that of China and made the Americans as well as Europeans dissatisfied with Chinese teas with which they had formerly felt contented. Now let us consider the external competition.

(1) *Japanese Competition.* Although in the European tea market, Japanese competition has not been strongly felt by either the East Indies or China, in America it is mainly Japanese teas that have encroached upon China's market and nearly ruined it. The case has been somewhat altered since the War, because recently Japan's teas have been subjected



TABLE 29

THE DISTRIBUTION OF AMERICAN TEA IMPORTS BY COUNTRIES IN  
QUINQUENNIAL AVERAGES IN 1,000 LBS. AND PERCENTAGES

Year	China 1000 lbs. %		Japan		England		British East Indies	
1895-99	43,310	54.0	35,037	39.0	3,489	4.0	1,647	2.0
1900-04	46,560	49.6	36,222	38.5	4,380	4.6	4,953	5.3
1905-09	34,273	35.0	43,084	44.0	9,568	9.7	7,734	7.9
1910-14	22,934	24.1	46,245	48.7	11,595	12.2	10,319	10.9
1915-19	18,995	17.5	48,317	44.5	9,350	8.6	19,822	18.3
1920	10,625	11.8	29,750	32.9	13,900	15.4	24,686	27.4
1921	14,676	19.2	21,407	28.0	9,208	12.0	23,012	30.1
1922	14,649	15.0	36,388	37.4	14,534	15.0	20,031	20.6
Year	Dutch East Indies		Canada				Total	
1895-99	0	0.0	1,429	1.0			89,629	100
1900-04	1	0.0	1,735	2.0			94,342	100
1905-09	5	0.0	2,712	3.0			98,353	100
1910-14	162	0.1	2,788	2.9			95,126	100
1915-19	8,476	7.8	2,676	2.8			108,429	100
1920	6,698	7.4	1,645	1.8			90,247	100
1921	5,302	7.0	756	1.0			76,487	100
1922	7,166	7.4	674	0.7			97,097	100

to the keen competition of teas from the British and Dutch East Indies. From 1895 to 1914, a period of two decades, China lost a share of thirty per cent. of the total American imports (54.0%—24.1%) (See Table 29). Japan got about one-third of China's loss (48.7%—39.0%—9.7%). To account for this victory of Japan, the writer has already called the reader's attention to the fact that Japan can make her product fit the American fancy. What America wants is a large quantity of tea of a uniform quality such as her large scale marketing methods demand. This is the very thing Japan has tried to supply. The following is a descrip-

tion of the Japanese attempt at the conquest of the American tea market as described by a Japanese tea trader.<sup>1</sup>

Machinery was early introduced in Japan into tea manufacturing, and in many prefectures mechanical processes are rapidly replacing the old manual ones. As early as 1885 steaming and firing machines were adopted by a manufacturer in Saitama Prefecture.<sup>2</sup> As labor becomes more expensive, however, machinery becomes more popular and the output more adaptable to the American market. The use of machinery again helps Japan to compete successfully with China in the American tea market in that it materially reduces the cost of production. A report from the Shizuoka Tea Manufacturers' Association gives the present cost of the production of hand-made tea as being 1.00 to 1.20 yen (fifty to sixty cents) per kwamme as against only thirty-five to forty-five sen (17.5 to 22.5 cents) for machine made tea.<sup>3</sup>

Becoming aware of the advantages of combination and co-operation, the Japanese manufacturers have long turned their tea culture and manufacture from a household industry into one of large scale production. Since 1876 a number of companies have been established and are directing their operations towards the finishing of the leaves for export. Tea growers and small individual manufacturers adopted a system of cooperation and combination to lower the cost of production for the purpose of maintaining their foreign market and also in the hope of leading to the production of uniform goods in large quantities, together with uniform packing and finishing. Government, municipalities and manufacturers' associations are also actively engaged in the promotion of the industry, and in this connection a system of supervision and protection has been perfected. It is the duty of manufacturers' associations, under the guidance of

<sup>1</sup> Japan's Tea Industry and Trade. *The Trans-Pacific*, Tokio: Jan., 1920, p. 73.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*



the Japanese Government, to prevent the manufacture and sale of inferior or adulterated tea, to improve and unify the packing and drying of teas, and to make a compulsory inspection of the products of a member manufacturer. Agents of these associations are despatched to America and elsewhere for the purpose of promoting and guarding their oversea interests. Inspection houses are maintained in the important tea ports of Japan to prevent the export of inferior, adulterated, or colored tea which might be rejected by inspectors in America or elsewhere. Experimental plantations and laboratories are also established in tea producing centers. The propaganda work for Japanese green tea in America is also undertaken by these associations.

In view of these attempts which Japan has made to promote her tea sales in foreign markets, is there any wonder that Japan should get a fair share in the tea imports of this country? In fact, all Japan's efforts in promoting her exports of tea are directed toward the American market, because by far the greater part of Japanese tea exports, usually more than 90 percent, comes to the United States.

(2) *The Competition of the British East Indies.* Besides Japanese competition, China has also suffered from East Indian competition in her tea trade with America. Tea industry and trade were almost unknown in India half a century ago. Since that time tea is fast becoming an important article in her business, particularly in the English markets. Only thirty years ago imports of Indian teas into America were very small, although Chinese teas had already felt their competition. Mr. J. M. Walsh, in his interesting essay, *Tea, Its History and Mystery* described the difference between Indian and Chinese teas in their competition in the American tea market as follows:—

"In India the process of fermenting and firing the tea are not as detailed or complete as in China, the India planter aiming to secure the component properties of a strong tea at the expense of flavor and qualities. There are many

serious objections to the general use of India Teas, one of which is the great excess of "tannin" (tannic acid) which they contain, ranging from thirteen to eighteen per cent., and to which property tea owes its astringency, constipating effect on the bowels and the ink-black color which it imparts to water containing salts of iron. In England a crusade is being preached against their use by medical authorities. On the other hand, China teas possess little or no trace of tannic acid, or elements offending the most sensitive palate or constitution. They are both pleasing and refreshing to the most sensitive natures."<sup>1</sup>

Owing to the inferiority of Indian teas, the demand for them in the United States was at that time very limited, and according to Mr. Walsh, there appeared little hope of any increase in the future. Though strenuous efforts had been made by the British tea traders to introduce them to this country, they met with little success. This was accounted for by Mr. Walsh as "the character of the beverage after infusion being so entirely foreign in body, color, flavor, and aroma from that of China and Japan sorts to which the people in the United States have become accustomed, so deeply is it set, that little or no progress can be made in these attempts."

Yet from thirty years' experience we have come to see this prediction gradually disproved. Although at the end of the last century, the average annual tea imports into the United States from the British East Indies amounted to only two per cent. of the American total tea imports, the ratio has advanced by leaps and bounds since the beginning of the present century, until in 1920 it came to 27.4%, which is two and a half times the percentage of China, and only a little smaller than that of Japan. The significance of this share will be greatly increased, if one notices the fact that tea imports from England now consist mostly of Indian teas. These teas are not only driving away Chinese teas but also

<sup>1</sup> Page 111.



Japanese teas, from America. The success of Indian teas in replacing other teas is largely ascribable to the aggressive selling method of British tea traders in the United States. But the taste of Americans, like that of their English brothers a few decades ago, has gradually become accustomed to the strong infusion of Indian teas.

(3) *Competition of the Dutch East Indies.* Although the importation of Java tea into the United States may be said to have commenced in 1905, when eight thousand pounds was shipped to America, the direct business done with the United States was unimportant until 1918.<sup>1</sup> After the first importation little improvement was made until 1911, when 228,000 pounds of Java tea valued at \$36,000 was shipped to America. But in 1918, due to war demands in the United States, a big increase was made, the figure being thirty million pounds of tea at a value of \$5,615,000. In the same year Chinese teas imported into the United States amounted to only twenty-one million pounds valued at \$4,362,000, imports of Java tea exceeding these figures by nearly one-third. Since the close of the War, the demand for Java tea in this country is decreasing. It has, nevertheless, already established itself in the American market, and its share will not return to its pre-war insignificance. This permanent advance has been made at the expense of China.

It is said that a large quantity of Dutch East Indian teas is consumed in the United States, being purchased either in transit under optional bills of lading or at the London public auctions. But the Dutch planters, not content with such indirect selling, are making efforts to develop a direct trade with America.

Although the competition from all directions has been so keen in the American tea market, Chinese teas would not have been driven out had it not been for some internal causes

<sup>1</sup> Java, Division of Industry and Commerce of the Department of Agriculture, Industry, and Commerce. *Java Tea*. 1917.

which have actually ruined the once flourishing market. These internal causes may be enumerated as follows:—

(1) *The inefficiency of the Chinese methods of cultivation.* The general circumstances of Chinese tea cultivation contrast strongly with those of India, Ceylon and Java. In the latter places, practically all teas are grown on large plantations. The plantation system has the advantage of raising a large quantity of tea of a uniform quality as required by the large scale marketing of the United States. But in China, practically all tea is raised on small peasant holdings of a few acres. The tea season is short as compared with that in the tropical regions, having but three or four pluckings a year.

(2) *The inefficiency of manufacturing.* While machinery has long been used in Japan and India in the manufacturing of teas, the manufacture in China is still carried on by hand, only very simple appliances being used. Many attempts have been made by the Chinese to introduce better methods of manufacturing, but with no appreciable success. In regard to the use of machinery it is a question whether the circumstances of the Chinese industry—notably the short season and peasant proprietorship—do not render the use of expensive appliances economically impossible.<sup>1</sup> Machinery was once tried for the rolling of the leaves in one center in 1899, but there was “difficulty in obtaining fresh tea leaves in sufficient quantity.”<sup>2</sup>

(3) *The adulteration of tea.* Perhaps nothing has done more toward destroying China's tea market in foreign countries than the occasional exportation of adulterated teas. Even as early as 1888 the American Minister at Peking reported to the United States Government the causes of the decline of Chinese tea trade with America as “false samples,

<sup>1</sup> Chandler, S. E., and McEwan, John; *Tea: Its Cultivation, Manufacture, and Commerce*; Great Britain, Imperial Institute Bulletin, Vol. II, 1913, p. 295.

<sup>2</sup> *Chinese Maritime Customs, Returns and Trade Reports*, 1899, p. 4.



muster packages, the admixture of lie tea, and other deleterious substances.”<sup>1</sup> In 1899 the United States adopted regulations to prevent the importation of adulterated tea and took steps to secure their enforcement.<sup>2</sup> These regulations, we are told, had a decided effect in improving the quality of the Chinese green tea offered for export. But the facing or artificial coloring of green teas had long been a feature of the Chinese tea industry and continued for another decade in the manufacturing of teas intended solely for export, of which the most highly colored kinds had hitherto been sent to the American market.<sup>3</sup> In 1911, however, the American market was again officially closed to all faced teas.<sup>3</sup> Apparently no action was taken in China to meet the new situation because a market for the colored teas was found elsewhere in Turkey and Egypt. The Japanese Government, however, immediately issued an order forbidding the facing practice.<sup>3</sup>

(4) *Heavy export duties on tea.* The heavy export duties imposed by the Chinese Government on tea have done a great deal in the past half century to handicap Chinese tea

<sup>1</sup> U. S. Com. Rel., 1888, p. 862. Report of Minister Denby. The methods of adulterating Chinese teas are described in Paul Kränsel, *Entwicklung und gegenwärtiger Stand des Chinesische Theehandels* (Berlin, 1902, p. 24-5), as follows: “Die Fälschungen des Thees deschehen im allgemeinen auf zwierlei Arten und zwar: (1) durch künstliche Färbung der Blätter geringer Theeorten, um diesen das Aussehen besser Qualitäten zu geben, und (2) durch Vermischung und Zusatz von Blättern anderer Pflanzen, welche gar nicht zur Theegattung gehören.”

<sup>2</sup> *Chinese Maritime Customs, Returns of Trade*, 1889, p. 4. The comment on the American regulations contains this amusing touch: “A consignment of tea, which was rejected by the American inspectors and sent back to Shanghai, was reshipped in its original condition and was allowed to be imported.”

<sup>3</sup> Chandler, S. E., and McEwan, John, *op. cit.*, p. 297. Mr. Chandler and Mr. McEwan also mentioned the several substances used in the coloring process as gypsum, Prussian blue, indigo, and plumbago.

and to prevent its competing successfully with the teas of other countries. The export duty was originally fixed by the Treaty of Nanking, 1842<sup>1</sup> and again by the Treaty of Tientsin, 1858<sup>2</sup> at two and one-half taels per picul (133  $\frac{1}{3}$  lbs.), which was to represent the rate of five per cent *ad valorem*. Tea, however, had never reached so high a figure as fifty taels per picul, and this rate of two and one-half taels per picul had long been held to be excessive.<sup>3</sup> Later on the diminishing value of teas resulted in the export duty representing forty instead of five per cent.<sup>4</sup> In addition to this excessive export duty, the Chinese Government has imposed an inland duty, called likin, or war tax, together with other minor barrier exactions, making a total impost of about four and one-half taels per picul.<sup>5</sup>

Unlike this system of taxation the teas of India and Ceylon, Java, and Japan are exported free of all duties. Is there any wonder that these latter teas should drive Chinese teas out of the markets of the world?

(5) *The complete lack of advertising.* It is generally conceded that the failure on the part of China to maintain her tea market in America as well as in other countries is to a very great extent due to the complete lack of advertising. From the earliest time down to the present, we have heard many tea connoisseurs and exporters maintain that the best tea in the world is still produced in China. To mention only a single example the writer extracts the following quotation from an American on tea.

“China tea is the only true tea, surpassing that of all other countries in every property and quality constituting and distinguishing tea, and possessing certain distinctive characteristics peculiar to and contained in no other variety

<sup>1</sup> Article X.

<sup>2</sup> Article XX.

<sup>3</sup> U. S. Com. Rel., 1888, p. 862. Report of Minister Denby.

<sup>4</sup> *Tea Trade of China*, Sci. Am. (N. Y.) Suppl. No. 1411. Jan. 17, 1903, p. 22612.

<sup>5</sup> U. S. Com. Rel., *op. cit.*



grown or known.<sup>1</sup> . . . While the great excess of tannic acid in Indian teas make them unwholesome for constant use, China teas possess little or no trace of this acid.<sup>2</sup> The chief and only advantages that India and Ceylon teas possess over those of China are said to be their great strength and thickness in the cup, which are due mainly to the modern methods of fermentation and firing by steam and machinery. Chinese teas excel them in flavor and aroma, occupying a position analogous to that of French wines in comparison with those of other countries. There is also this difference between them, that while a given quantity of India and Ceylon teas will yield a larger amount of a dark-colored liquor and stronger in taste than that of a similar quantity of China, they still lack the richness and delicacy of the latter."<sup>3</sup>

Likewise it was stated by an American consul in China some years ago that a dozen virtues of China teas might be claimed without overstepping the bounds of truth.<sup>4</sup> An English tea expert also conceded that as to the quality of teas, those of China are still held to be the best of all.<sup>5</sup>

In spite of the good advertising points of the China teas the Chinese tea merchants seem to have completely neglected to conduct any kind of advertising either in the United States or in other countries. As a consequence most Americans have overlooked the good qualities of Chinese teas, and because many tea imports from China were of an extremely poor quality, they concluded that China produced no good tea. Regarding this point the Inspector General of Chinese Customs, an Englishman, made the following pertinent comment: "While the finest teas in the world are still produced

<sup>1</sup> J. M. Walsh, *op. cit.*, p. 70.

<sup>2</sup> *Ibid.*, p. 111.

<sup>3</sup> J. M. Walsh, *op. cit.*, p. 121.

<sup>4</sup> Tea Trade of China, *Sci. Am.* (N. Y.) *Suppl.* No. 1411, Jan. 17, 1903, p. 22612.

<sup>5</sup> Chandler, S. E., and McEwan, J., *op. cit.*, p.

in China, it is unfortunately true that a large quantity of what can only be described as rubbish is brought by foreign exporters."<sup>1</sup>

Advertising is the lifeblood of commerce at the present day, and is freely resorted to in all business wherever there is an element of competition. "The so-called great favor with which India and Ceylon teas are said to be regarded by some European and American consumers is due largely to the energy and persistency with which the trade has been pushed by means of advertising, the teas being literally forced on the market."<sup>2</sup>

Moreover, it is generally conceded that the use of machinery in the manufacturing of tea causes great deterioration in its quality, and more than once the Japanese Government has made efforts to prevent its use. But as the cost of labor in Japan rapidly advances the use of machinery cannot be prevented owing to the great reduction in cost of production to about one-third of that of hand-made tea.<sup>3</sup>

To these fundamental causes which have been at work in the gradual replacing of Chinese teas in the American markets by those of other countries during the last sixty years, we must add two temporary causes which have recently restricted Chinese tea trade with America. The temporary prohibitions and restrictions imposed by the United States on tea imports from China and the lack of tonnage in the trans-Pacific service during and immediately after the War combined to bring about a serious drop in Chinese tea imports from 1917 to 1920. But as soon as these causes were removed, the quantity of tea imports began to increase though their value has shown wide fluctuations due to price drops in 1921 and 1922.

Due to the combined working of these external and internal causes, China's tea trade with America has dropped

<sup>1</sup> Chinese Customs Returns, 1913, Pt. II, Vol. 3, p. 553.

<sup>2</sup> Walsh, *op. cit.*, p. 120.

<sup>3</sup> Tea Industry and Trade of Japan, *The Trans-Pacific*, Tokio, Japan, Jan., 1920, p. 73.



from one hundred per cent sixty years ago to less than twelve per cent in 1920. This serious drop has been attracting the attention of the Chinese for a long time and measures toward removing the internal causes have been taken up. Thus, when the United States adopted regulations to prevent the importation of adulterated tea in 1899, vigorous representations were made by the Chinese tea traders to their own government upon the subject of the taxation of tea exports, and in 1902 the export duty was reduced by a half to one and a quarter tael per picul, so that the cost of tea exportation to the United States would not increase with the required improvement in the quality. In 1905 a Chinese commission visited the tea districts of India and Ceylon, with a view to adopting the Indian plantation system in China. English machinery has also been repeatedly introduced into the country, though no permanent good has hitherto attended these efforts. Recently the Chinese Government ordered the establishment of tea investigation bureaus at Hankow, Foochow, Shanghai, and other tea producing and exporting centers, and has taken other steps to improve the old-fashioned methods of cultivation. Hereafter, owing to the greater attention that both the Chinese Government and tea merchants have been giving to the tea trade, Chinese tea will be in a stronger position to meet the competition of other countries. It is, nevertheless, problematical when, if ever, China will be able to regain her former prestige and supremacy in the tea trade of the United States, which has become a very poor customer for Chinese teas, taking less than one-fifth of the total Chinese tea exports during the last ten years, and in some years as little as 14.7%.

## CHAPTER VII

## SILK

Although China is now suffering from keen competition in the sale of her silk to the United States by far the most important position in Chinese-American trade is still held by this single article. In the last few years the total value of imports of Chinese raw silk and manufactured silks into the United States amounted on the average to no less than forty percent of the total value of all imports from that country.<sup>1</sup>

Yet the whole history of China's silk trade with America, in many respects like that of her tea trade, is a chapter of humiliating defeat in her competition with Japan and, to a less extent, with Europe. There is, however, at least one important difference between China's trade in silk and her trade in tea with America. In the tea industry China has lost her comparative advantage over other countries, because they have introduced machinery into the manufacturing processes of tea while she is still not in an advantageous position to use machinery,<sup>2</sup> or at least will not be in a better position than her competitors to use it in the future. She will, therefore, not be able to recover the whole of her lost share even though the tea industry is much improved and the tea trade energetically pushed. But this is not the case with silk. Sericulture requires a good deal of labor and because of the nature of the industry, the use of machinery can not, and perhaps will not, be introduced into the culture of silk worms on any extensive scale. The development of sericulture, therefore, depends, upon a huge supply of labor which can be commanded at a rather low price as the first requisite for its success in a competitive market. It goes without saying

<sup>1</sup> In 1919 the value of China silk and silks imported into the United States was 39% of the total imports; in 1920, 34%; in 1921, 52%. See following table.

<sup>2</sup> See Chapter 6, *supra*.



that in this respect China is in a better position than any other silk producing country. Although in the past she neglected to make improvements in this industry, and was also slack in pushing her trade in large silk-consuming countries such as the United States, she still retains her comparative advantage in the production of this article. If China continues to pay more attention to silk, as she is now doing, it will not be long before she resumes the predominant position that she had once held in the silk trade world. It is the writer's purpose to show in the following pages how China has been defeated in the American silk market, the largest market in the world, and what effort she is now making to get back some part, at least of her lost share in America.

*China's early trade with America.*

As the original home of silk China has been for centuries exporting silk to the western nations. Some Chinese silks no doubt reached this country in the early colonial days, although the exact date of their first coming can not be ascertained from the records of trade extant today. In the beginning of the direct trade between China and the United States the quantity and value of silk imports, unlike tea, were much less clearly stated in the records of the early American Government and writers. Judging from some sporadic records,<sup>1</sup> we are fairly sure that aside from tea, silks were the most important article of trade in those early years, though the silk imports were smaller in quantity and value than tea. Yet silk trade became more and more important as time went on, and during the several years after 1820 the value of imported Chinese silks ran into several million dollars a year, several times amounting to more than two-fifths of the total imports from China.

*Decline of trade in Manufactured Silks*

During the early half of the nineteenth century nearly all

<sup>1</sup> S. E. Morison: *The Maritime History of Massachusetts* (Boston, 1922), pp. 44, 62, 87.

American silk imports were in the form of manufactured silks—piece goods, embroideries, ribbons, etc. Very little raw silk was imported, because the silk manufacturing industry in this country had not as yet taken shape. Prior to 1873, practically all the demand for silks in America was met by the importation of foreign manufactures. And this demand was growing steadily as is shown in Table 30. Since 1883, however, the American silk industry has become well developed, and the demand for foreign silk goods has remained stationary.

TABLE 30

Year	Total Imports of Manufactured Silks into the U. S.	Imports from China	China's % of the total
1823	\$5,201,000	\$3,122,000	60.0
1833	7,913,000	1,387,000	17.0
1843	2,458,000	.....	...
1853	29,834,000	1,220,000	4.1
1863	12,656,000	9,700	0.1
1873	29,126,000	130,000	0.5
1883	33,967,000	350,000	1.0
1893	38,959,000	362,000	1.0
1903	33,995,000	269,000	0.8
1913	35,308,000	173,000	0.5

Although the increase in America's demand for foreign-made silks was fairly rapid during the first seven or eight decades of the nineteenth century, the decline of China's share in this trade was nevertheless marked. In 1823 Chinese silk goods constituted sixty percent of the total silk imports into the United States. During the forty years following, her share dropped headlong to 17% in 1833, to 4.1% in 1853, to 0.1% in 1863. Since then and until the outbreak of the European War, it fluctuated around 1% of the total.

The reasons for this decline are not difficult to seek. In the first place Chinese silk goods have never been manufac-



tured for the purpose of exporting, and thus have never been made to suit the taste and fancy of westerners. Americans, therefore, preferred to have their silk goods made in England or France. Secondly, America has in the course of half a century developed into the largest silk manufacturing country in the whole world, and can today easily supply her own needs. Thirdly, the American protective tariff as applied to silk goods has been almost prohibitive since the middle of the last century, and Chinese silks, being unable to bear the burden, were the first to be excluded from the market.

Since 1914, the situation in the manufactured silk trade has not greatly altered. Table 31 shows the share of China in American imports of silk textiles. The total imports seem to have increased in value in recent years, but this apparent increase is entirely due to price inflation, and when price allowance is made it may be shown that trade has practically decreased in quantity. But, owing to the fact that some European countries—France, Germany, England, Italy—were unable to send manufactured silks to the American market, Americans naturally turned to the Orient for a supply which would meet their usual demand for foreign silks. China has, therefore, recovered a little of her old share, but it remains in doubt whether she will be able to retain even this humble share when the European silk industry has come back to its normal condition. But as long as the three conditions mentioned above remain unaltered, we can expect no huge increase in the trade of manufactured silks between China and the United States.

#### *Expansion of the Raw Silk Trade*

Along with the decline of the Sino-American trade in manufactured silks, but opposite in direction, has come the steady expansion in the raw silk trade. During the first seven decades of the last century, America bought little raw silk from outside, so little that the United States Bureau of

TABLE 31

Year	Total imports of silk textiles to U. S. in \$1,000	Imports of silk textiles from China in \$1,000	% of the whole
1913	35,308	173	0.5
1915	28,580	704	2.5
1917	39,718	1,921	4.8
1919	54,701	690	1.3
1920	75,328	1,485	1.6
1921	48,249	1,725	3.6
1922	36,732	1,587	4.3

Data from *Annual Reports* of Am. Silk Assoc.

Statistics did not even take the trouble to record the quantities imported. But after 1850 separate quantities can be obtained and they are shown in Table 32 in five-year averages. More than half of these imports came directly from China and the rest from England and France.<sup>1</sup> Since 1865,

TABLE 32

Average of 5-year period	Value of total imports of raw silk in \$1,000	Value of raw silk imported from China	China's % in the total
1840-44	51	...	...
1845-49	230	...	...
1850-54	575	358	62.0
1855-59	1,133	620	54.5
1860-64	1,242	576	46.3

however, due to the rapid development of the silk weaving industry in this country, the importation of foreign raw silk has naturally increased by leaps and bounds. In fact, silk culture was many times attempted in this country, but failed because of its high cost of production.<sup>2</sup> Consequently, any development in the American silk industry has resulted

<sup>1</sup> See U. S. Bureau of For. and Dom. Commerce, *Commerce and Navigation*, 1850-1864.

<sup>2</sup> See Brockett, L. P., *Silk Industry in America*, 1876.



in a greater demand for foreign raw silks; and in the two decades 1865-1884, the imports of raw silk increased more than ten fold.<sup>1</sup> The absolute quantity and value of Chinese raw silks imported, of course, increased as a whole, yet her relative share fluctuated violently from more than 50% to 13%.

Table 33 presents in a summary form the situation of the American raw silk trade during the two decades mentioned above:

TABLE 33  
PERCENTAGE DISTRIBUTION OF THE RAW SILK IMPORTS OF THE UNITED STATES TO CHINA AND JAPAN, 1865-1884

5-year Average	China		Japan		Total American imports of raw silk	
	Qty. in 1,000 lbs.	Value in \$1,000	Qty. in 1,000 lbs.	Value in \$1,000	Qty. in 1,000 lbs.	Value in \$1,000
1865-69	67	296	14	81	510	2,251
1870-74	498	2,452	60	303	940	4,975
1875-79	410	1,648	485	2,270	1,344	5,958
1880-84	1,303	5,008	994	4,412	2,892	12,592
	% of the total	%	%	%	%	%
1865-69	13.1	13.2	2.7	3.6	100.0	100.0
1870-74	53.0	49.3	6.4	6.1	100.0	100.0
1875-79	30.4	27.6	36.8	38.0	100.0	100.0
1880-84	45.0	43.8	34.4	35.0	100.0	100.0

The failure of China to get full benefit of the growing American demand for raw silk is, like her tea trade, to be explained on the one hand by her own neglect to improve her sericulture and to conform to the American standard, and on the other to push her silk trade with vigor to offset the severe competition of Japan.

Although China's silk monopoly was broken down when

<sup>1</sup> Imports of raw silk into the United States: 1865, 250,000 lbs.; in 1884 total 3,223,000 lbs. See *Annual Reports of American Silk Association*.

sericulture was introduced into Europe, she still held control of silk production in the middle of the nineteenth century. No great volume of raw silk was produced in Europe or in Japan, and America was forced to rely upon Shanghai and Canton for a supply of material to feed an increasing number of her weaving factories. The Chinese silk producers being nearly all peasant farmers, ignorant of the existence of potential competition and living in a fool's paradise, thought that they held the only key to the silk market, and were growing more and more careless in rearing the worm and reeling the fibre. In addition to furnishing a poor quality of silk, Chinese silk merchants began to practice adulteration, just as the tea traders did at the same time. The condition became so bad in the seventies that the Board of Government of the American Silk Association—an organization comprising in its membership nearly all the silk manufacturers in this country—adopted in 1874 a formal resolution against such practice.<sup>1</sup> As regards early Japanese competition, the Secretary of the Association reported in the same year in the following words:

"Eight years ago (about 1865), the Japanese did as the Chinese are now doing, and at the same time the Chinese began to take more care in preparing their silk—re-reeling it and cleaning it for this market, thus the use of Japanese raw silk went out almost entirely. But the Japanese have seen their error and are now trying to remedy it. During recent years, we have some Japanese raw silk, filature reel, which shows what the Japanese can do in the way of supplying this market with the silk which we need; and if the Japanese are willing and determined to get back their lost trade, the Chinese are offering them a good opportunity to do so."<sup>2</sup>

In addition to the difference between the improving quality of Japanese and the deteriorating quality of Chinese

<sup>1</sup> *Annual Report of Silk Association of America*, 1874, p. 27.

<sup>2</sup> *Ibid.*, p. 46.



silks there was another great contrast between the energetic pushing by the Japanese of their silk trade in America and the inactive and indolent method of selling on the part of the Chinese. In spite of the threatened decline of her silk trade in America, China never sent any commission or even any private agent to investigate the market conditions here, to say nothing of making an effort at extensive advertising or exhibition. On the other hand, the Japanese, through their governmental organs, were exerting their full efforts to push their sales here.<sup>1</sup> In such a state of affairs, there is no wonder that Chinese silk was rapidly supplanted by Japanese silk in the American market. In fact, as shown in the above table, American imports of Chinese silk declined from an annual average value of \$2,452,000 during the five-year period 1870-74, to an average of \$1,648,000 during the next five-year period, 1875-79. On the other hand, sales of Japanese silks increased from an annual average of \$303,000 in the first five-year period, to \$2,270,000 in the second. This was the first time that America imported more silk from Japan than from China.

The strenuous efforts of the Japanese and the carelessness of the Chinese went on side by side for some decades without interruption or alteration. During the latter years of the nineteenth century the Japanese Government took a lively interest in maintaining and improving the quality of the raw silk exported from that country. In 1897 the Japanese Government established a silk-conditioning house at Yokohama and in 1900 the examination of silk for watering was made compulsory in Japan.<sup>2</sup> In China on the other hand, reforms proved much more difficult. The Government had neither the point of view nor the administrative machinery to make the carrying out of such proposals feasible. The Chinese customs reports, the newspapers of the open ports of China, the silk merchants in America as

<sup>1</sup> For a typical case, cf., *Ibid.*, p. 22.

<sup>2</sup> *Encyclopedia Sinica*, p. 515.

well as those in Europe, and all who were interested in the silk trade of China, united in admonishing the Chinese silk producer. An example of this sort of admonition is to be found in the Chinese customs report for 1904.<sup>1</sup> It used to take, we are told in this report, three or four piculs of cocoons to make a picul of silk; now it took from four to six. "The silk men of China are living in a fools' paradise. Their error consists in thinking that they make the price, whereas the fact is that the price is made in the market of the United States and in Europe. The world's supply of raw silk is going up; China's production is not. The world's demand for raw silk has increased; China's export has not. "The Chinese methods of breeding the silk-worm were excellent as long as no scientific methods were available." But as soon as scientific methods were introduced into Japan China was sure to suffer in the competition.

The indifference of the Chinese silk producer and merchant towards this critical juncture, or, rather their complete ignorance of it, and the Japanese preparedness to make the most of the excellent opportunity to extend their silk trade in America can not be better described than by depicting their respective parts in the International Exposition at St. Louis, Missouri, in 1904. This great International Exposition of Art, Industry and Science was inaugurated for the celebration of the centenary of the Louisiana Purchase from France by the United States. The silk section was made a special feature of the Exposition. All the important silk producing and manufacturing countries in the world, being fully aware of the excellent opportunity for advertising their products, sent hosts of delegates, exhibitors, and collaborators, together with their best samples to the exhibition.<sup>2</sup> Japan

<sup>1</sup> Chinese Maritime Customs: *Returns of Trade and Trade Reports*, 1904, pp. 7-9.

<sup>2</sup> For a full report of the silk section of the Exposition, cf. *Annual Report of Silk Assoc. of America*, 1904, p. 24 ff.



contributed more than one-half of all the silk exhibits, there being one hundred and seventy-one exhibits of raw silk, spun silk, etc., and ninety-five exhibits of woven tissues. These exhibits were said to be by far the most important of any exhibits ever made by Japan at any previous international exposition.<sup>1</sup> China, on the other hand, sent no special silk delegation and only a few perfunctory and commonplace exhibits to the Exposition. Out of a total of 348 awards to exhibitors and 224 to collaborators of the different countries, China got seven of the first kind and none of the second; while Japan was awarded 233 exhibitor's medals and twenty-five collaborator's.

With so great a difference in the attitudes of China and Japan toward the silk trade, we naturally expect to see a headlong downfall in the Chinese silk trade with the United States, and an unusual expansion of Japanese silk trade. The expansion of the Japanese silk trade is shown by the five-year annual average figures in Table 34. The table starts with the period 1885-89, in which Japan exported annually 2.3 million lbs. of raw silk to the United States at an average value of \$8,100,000. For the next five year period the quantity of silk thus exported increased to 3,300,000 pounds valued at \$11,700,000, an increase of about 40% over the figures for the last period. Since that time the increase has been cumulative or, in other words, in geometrical progression until the four-year pre-war period, 1910-13, when the quantity was 15,100,000 lbs. at a value of \$51,800,000.<sup>2</sup> In the latest year for which trade statistics are now available, America imported 40,000,000 pounds of Japanese raw silk at a value of \$291,292,000! During the comparatively short period of half a century, Japan has, through her strenuous effort to improve the quality of her silk and to push the sale of this commodity, raised the position of

<sup>1</sup> *Ibid.*, p. 36.

<sup>2</sup> See Table 34.

her silk from nothing to one of the most important articles of international commerce.

Our expectation that China's silk trade with the United States, as well as with Europe, would fall headlong seems to have been disproved, because ever since the Americans began to complain to the Chinese silk producers of the poor quality of their product, the actual exports to this country constantly and steadily increased both in quantity and value disregarding, of course, a few abnormal exceptions. During the period of 1885-89, China exported to the United States annually 1,100,000 pounds of raw silk, valued at \$3,600,000. In the next period both the quantity and value increased to 1,500,000 pounds and \$4,300,000 respectively. The increase went on without interruption until in the four-year pre-war period, 1910-13, the quantity became 5,300,000 pounds with a value of \$13,000,000. In 1922 American silk imports from China were recorded as 8,400,000 pounds at a value of \$56,600,000.

This expansion of Chinese silk trade with America, in spite of much complaint from buyers and the most formidable competition of Japan, is solely due to one condition—the rapid development of the silkweaving and knitting industry in America and the resulting tremendous expansion of the demand for raw silk, which Japan has never been quite able to meet even with the yearly improvement and extension of her sericulture. The quantity of raw silk the United States can buy from Europe has long since become extremely limited. At the end of the last century and the beginning of the present, Italy supplied about twenty percent of the total demand of the United States for raw silk; France, about four percent. But as the silk weaving industry in Europe also tends to expand, these countries cannot well afford to sell their raw materials abroad except at a higher price. In fact the price of European silk is much higher than that of Oriental silk, owing to the high cost of labor in France and Italy as compared with the wage scale in the Orient. If the United States cannot get all that she needs from Japan she



TABLE 34  
AMERICAN IMPORTS OF RAW SILK BY COUNTRIES

Year average	China		Japan		France	
	Quantity in 1,000 lbs.	Value in \$1,000	Quantity in 1,000 lbs.	Value in \$1,000	Quantity in 1,000 lbs.	Value in \$1,000
1885-89	1,132	3,616	2,258	8,194	265	1,185
1890-94	1,468	4,324	3,284	11,678	267	1,102
1895-99	2,516	6,647	4,315	14,100	334	1,212
1900-04	2,971	8,300	6,109	21,380	491	1,746
1905-09	3,356	9,825	9,834	37,706	579	2,007
1910-13	5,254	12,973	15,676	51,819	161	592
1914-16	6,128	16,697	21,178	81,274	82	233
1917-18	6,343	28,454	28,236	153,075	10	32
1919	9,099	54,476	33,727	256,113	50	336
1920	5,932	53,844	22,904	219,838	33	289
1921	9,587	48,050	31,704	188,062	686	3,746
1922	8,378	56,610	40,029	291,292	159	1,201
	Italy		Other Countries		Total	
1885-89	948	3,941	...	...	4,656	11,207
1890-94	1,073	4,760	...	...	6,152	22,057
1895-99	1,532	5,969	206	547	8,896	28,475
1900-04	2,631	10,690	296	893	12,492	43,206
1905-09	3,904	15,911	127	475	17,800	65,924
1910-13	2,481	7,746	231	821	23,804	75,557
1914-16	2,202	9,735	104	445	29,695	108,720
1917-18	77	570	18	113	34,684	182,247
1919	1,866	17,889	75	524	44,817	329,339
1920	1,111	10,345	79	575	30,058	284,291
1921	3,085	17,545	293	1,651	45,355	259,054
1922	569	5,591	1,577	12,093	50,712	365,787

is naturally compelled to turn to the original home of silk to meet her growing and almost insatiable demand. It is due to these special conditions that the Chinese silk trade has been saved from a complete downfall through the fierce onslaught of Japanese competition.

Our presentation of silk trade conditions will be incom-

plete, however, if we neglect to mention the decline of the relative importance of Chinese silk from its position in former days. During the middle of the nineteenth century (1850-59) two-thirds of the American raw silk import came directly from that country, and nothing from Japan. Two decades later (1875-84) China's share declined to less than

TABLE 35  
QUANTITY DISTRIBUTION OF AMERICAN SILK IMPORTS IN PERCENTAGES

	China	Japan	France	Italy	Other Countries	Total
1885-89	24.3	48.3	5.7	20.4	1.3	100.0
1890-94	23.8	53.4	4.3	17.4	1.1	100.0
1895-99	28.3	48.5	3.1	17.2	2.3	100.0
1900-04	23.8	49.1	3.9	21.5	2.4	100.0
1905-09	18.8	55.2	3.3	21.9	0.8	100.0
1910-13	22.2	65.6	0.8	10.4	1.0	100.0
1914-16	20.6	71.2	0.3	7.4	0.4	100.0
1917-18	18.3	81.5	...	0.2	...	100.0
1919	20.3	75.1	0.1	4.2	0.2	100.0
1920	19.7	76.2	0.1	3.7	0.3	100.0
1921	21.2	10.0	1.5	6.8	0.6	100.0
1922	16.5	79.0	0.3	1.1	3.1	100.0

two-thirds while Japan shared equally with China in the American trade. Since that time Japan has secured a constantly increasing share, one-half of the whole during the period 1885-1904, two-thirds during 1905-13, and about three-fourths to four-fifths since 1914. China's share, on the other hand, has contracted from one-fourth during 1885-1904 to about one-fifth since 1905. It is the decline of the comparative importance of China's silk trade with the United States that we refer to when we speak of the defeat of China in the American market. (See Table 35.)

From a cursory reading of the examples given above of the attitude toward the American silk trade in China and in Japan one may readily see that the success of Japan has been due largely to wise governmental policies which gave to the



development of sericulture serious and scientific consideration while the Chinese Government had shown little more than a passing interest in this important question. It is true that from time to time the Chinese Government has assisted the silk producers with funds to carry out their reform plans, but beyond that even the producers took no more interest in the matter than to assure themselves of the return of their money with suitable interest. Besides the lack of governmental aid, sericulture in China had another great handicap in effecting improvements. The raising of silkworms in China is carried on on a small scale by thousands of peasant farmers and their families. Any reform in their methods by guilds of silk merchants is faced with great difficulties, either because these farmers lack the capital necessary to carry out the reform or because scientific methods are not suited to such domestic small-scale production either technically or economically.

*Chinese Silk vs. Japanese Silk: American Market vs. European Market*

From what has been said above, one might easily fall into the error of assuming that Chinese silk is not of good quality and therefore unfit for use in the modern silk industry. This conception is erroneous for Chinese silk, though not so desirable in the American market as Japanese silk, had a larger market in Europe, where little Japanese silk was in demand. By taking into account the destination of the raw silk exports from China and Japan, therefore, we can form a much better judgment of the relative merits of the Chinese and Japanese silks in their connection with the American and European markets. The Chinese silk trade was already well established and its relation with the weaving industry of Europe was close when the Japanese industry began to grow in importance. It is significant that the growth of the production of raw silk in Japan has been connected with the growth of the weaving industry in the

United States. The export of raw silk from Japan and the weaving of silks in the United States may be said to have grown together and this may have been due to the response on the part of the Japanese silk producers to American suggestions for the improvement of the industry.<sup>1</sup> In general during the years before the European War more than twice as much Japanese raw silk was sent to the United States as was sent to Europe, and since the war nearly seven-eighths to nine-tenths was sent to this country. In China the situation was just the opposite. Before 1913 about twice as much Chinese raw silk was sent to Europe and West Asia as was sent to the United States. There is a difference between the European and the American weaving industries. "The cheap every day silks, turned out in great quantities of one pattern, are characteristic of the machine industry of America. Limited patterns and sterling quality, catering to the well-to-do and the rich, are the typical products of the French industry."<sup>2</sup> "The raw silk of China seems to have been better adapted to the conditions of the French and the European industry. Like her tea, China's raw silk is either excellent or rather poor in quality and it has been so for a long time. Usually, it is of a better quality and heavier fibre than the Japanese product. The lack of uniform quality for a large quantity of material seems to make it very difficult for the Chinese to make an easy sale of their product in America. Japanese silk produced with more or less standardized methods, is of a more uniform quality, and therefore fits better the need of the large-scale machine industry of America. But the best Chinese silk, like her best tea, is said to be superior to the Japanese product."<sup>3</sup> During the whole period prior to 1913, therefore, Japan and not China

<sup>1</sup> C. F. Remer: *The Foreign Trade of China*, Ch. IV. For comparative statistical data, cf. *Annual Reports of the Silk Assoc. of America*; Silk Statistics Section.

<sup>2</sup> F. W. Taussig: *Some Aspects of the Tariff Question*, 1915, pp. 233-34.

<sup>3</sup> C. F. Remer, *op. cit.*



reaped the benefit of the growing American industry's increased demand.

The European War, however, has brought a considerable change in this situation. During the war the European weaving industry was greatly deranged, and the demand for Chinese silk became uncertain. The Chinese were, therefore, compelled to send more of their silk to America. Before the war China sent only one-third of her total export to the United States, but after the war the United States absorbed nearly half of her total export. This growth in the importance of the American market for Chinese raw silk has encouraged American buyers to exert efforts toward making Chinese silk more suitable for American use and it has also made the Chinese more willing to take the suggestions and specifications of the American weavers.

*The Recent Improvement of Chinese Sericulture to meet the American Demand; and the Future Prospect of China's silk trade with America*

"For many years the increasing silk supply from Japan was able adequately to meet a large part of the growing demand of the American silk manufacturers. But recently, the popularity of silk in America has so tremendously increased that American manufacturers have begun to feel the necessity for the extension of the raw material field."<sup>1</sup> Owing to the scarcity of cultivatable land for mulberry trees, silk production in Japan has nearly reached its full capacity, while the silk industry in America is still growing with rapidity.

Moreover, American silk manufacturers have recently come to realize the danger of depending upon a single country for the whole supply of such an important raw material. For two decades Japan has supplied by far the greatest part

<sup>1</sup> The Future of Raw Silk in China, by F. G. Barry, *China Review*, N. Y., Feb., 1923.

of the raw silk needed in the United States, in some instances more than four-fifths of the total American import. Under such a monopolistic condition, the Japanese merchants are naturally able to control the market, practice cornering, and raise the price for the material to whatever figure "the traffic will bear." This was actually the case in 1920, when some Japanese silk firms held their silk output and raised the price extremely high with the inevitable result of an immediate slump in the market and the ruin of many American manufacturers and Japanese merchants. To prevent the recurrence of such a disastrous practice the best thing is for the Americans to distribute their silk purchases among different countries in order to avoid being the victims of Japanese monopoly. But as has been indicated above, it is of little avail for the United States to turn to the silk producing countries in Europe for the solution of this problem. It is because of these two reasons that to China, once the home of the entire silk industry, America must look for a solution.

China, on the other hand, has recently come to realize the great importance of her silk trade with America, and is consequently paying more attention to the production and selling of this commodity. Silk has for nearly twenty years been the most important article of export in the foreign trade of China, and the Chinese have felt the necessity of pushing the trade abroad. Moreover, the steady rise in price has recently made the silk trade a very profitable one for China, and the high profits act as a strong stimulus to further improvement of the material and more aggressive selling in foreign lands. It is under these conditions that China, once the best producer and largest supplier of silk, has sought and accepted the cooperation of the American silk manufacturers in improving the industry and trade.

The first serious attempt to improve Chinese silk was made in 1909, when the Silk Association of America, at the suggestion of the Silk Throwsters' Association of America, adopted a resolution to urge the improvement of Canton



filature skeins for the American market.<sup>1</sup> In response to the request, the Cantonese carefully followed the suggestions of the American silk manufacturers as to the method of making standard skeins. The immediate result of this effort was a gain in the American silk trade with China after 1910 over that of previous years, as shown in the following table of distribution:—

PERCENTAGE DISTRIBUTION OF AMERICAN SILK IMPORTS IN QUANTITY

Average of 5 or 4 year period	China	Japan	France	Italy	Other Countries	Total
1905-09	18.8	55.2	3.3	21.9	0.8	100.0
1910-13	22.2	65.6	0.8	10.4	1.0	100.0

In order to carry further the improvement thus started, the International Committee for the Improvement of Sericulture of China was formed in Shanghai in 1918 under the auspices of the Foreign Silk Association of Shanghai.<sup>2</sup> Because America is the largest importer of raw silk, the Silk Association of America has concerned itself with the movement, to which it has given active assistance. The Committee has undertaken as its chief work to give instructions to the Chinese farmers of the silk producing regions, and distributing scientifically selected disease-free worm-eggs among them. The movement for the improvement of Chinese raw silk, thus started, has received the hearty support of the American buyers and the Chinese Government and producers. Funds collected from American contributors are being used for the work of the International Committee, the establishment of chairs of sericulture instruction and research work in the colleges in the Nanking and Canton Districts, the building and equipment of sericulture stations in connection with these colleges, and the provision for the

<sup>1</sup> *Annual Report*, Silk Assoc. of America, 1910, p. 24 ff.

<sup>2</sup> *Ibid.*, 1919, p. 30.

services of experts to continue the introduction of the American Standard Silk Skein in Canton and Shanghai by practical demonstration and education.<sup>1</sup> This committee has expanded its activities until it now has seven field stations and a central laboratory in Shanghai and another branch at Chefoo in Northern Shantung.<sup>2</sup>

As an important step toward the scientific improvement of China's raw silk production the Silk Association of America has contributed substantial sums for the erection of two new sericulture buildings, in two of the colleges in China. Events have already proved that assistance to the colleges is a direct means of improving the quality of raw silk.<sup>3</sup>

The campaign to give the American silk trade proper conditioning facilities, which the Silk Association of America started by establishing a conditioning house in New York, was further augmented, when a branch of the United States Testing Company, Inc., was opened at Shanghai in October, 1921. Before the opening of the Shanghai branch, Chinese reelers were, in general, dependent upon visual inspection for control of mill operation.<sup>4</sup> The Shanghai house tests raw silk according to well-known standard methods which are accessible to every one and international in their application. Its certificates will be of material assistance to sellers and buyers in China and will also have great weight in the consuming market in America.<sup>5</sup>

#### *The American Consumer and the Chinese Producer*

Besides the various cooperative efforts between China and the United States to improve the quality and quantity of the Chinese raw silks, there were numerous other activities

<sup>1</sup> *Annual Report* of Silk Assoc. of America, 1922, p. 25.

<sup>2</sup> To Improve Chinese Silk for American Markets, *China Review*, N. Y., Dec., 1922.

<sup>3</sup> The Future of Raw Silk in China, *Ibid.*, Feb., 1923.

<sup>4</sup> *Annual Report* of Silk Assoc. of America, 1922, p. 25.

<sup>5</sup> *Ibid.*, p. 26.



to promote mutual understanding and good will between the American consumer and the Chinese producer. In 1920 a mission including representatives of the chief branches of American silk manufacture, testing and research and the Silk Association of America, spent more than three months in an active survey of the silk industry in the Orient.<sup>1</sup> The members of this mission gave careful consideration to the possibilities of increased production, improved qualities, the elimination of defects and the determination of grades. Charles Cheney, Chairman of the American Silk Mission, in his official report of the findings of the Mission, called the attention of the American manufacturers to the evident awakening of a new and progressive spirit in China. "The mission," says the report, "found in Canton that no less than eighty-five percent of the filatures in the Canton district have changed their machines and methods and are reeling according to American specifications. A recent estimate by a reliable silk expert is that seventy percent of Canton silk this year will be reeled into American standard skeins. The amount of silk suitable for American consumption has been very largely increased (about doubled), and the so-called new type silk has commanded a much higher price than that reeled in the old way. . . . The ready and general acceptance of the instructions of American buyers denotes an open mind, and the success of the movement should be a valuable lesson which offers a fine argument in favor of further progress. . . . China has within its grasp a golden opportunity to develop and enlarge its old historic industry to an almost unlimited extent."<sup>2</sup>

The Second American Silk Mission, under the leadership of James A. Goldsmith, President of the American Silk Association, left for the Orient in February, 1923, for a further study of the conditions of silk production. Increased

<sup>1</sup> For a fuller account of this mission, cf. *The Future of Raw Silk in China*, by F. B. Barry, *China Review*, N. Y., Feb., 1923.

<sup>2</sup> *Ibid.*

understanding and cooperation was sure to follow such an undertaking.

The Chinese silk merchants, contrary to their former indifferent attitude toward the American trade, are now taking a lively interest in it. When the First International Silk Exposition was held in this country in 1921 the Chinese silk interests in various sections of the country sent a host of representatives with many samples of their best silks. These delegates also visited many of the American silk factories, with a view to a better understanding of the requirements of their customers. The Second International Silk Exposition of 1923 received the same attention from these Chinese silk magnates. These groups of Chinese delegates carried back to their own country, besides a better understanding of the American market, a more friendly feeling towards this country and a fuller realization of the desirability of cooperation with the American manufacturers for their mutual benefit.

With the recent developments of the Chinese-American silk trade we see a very good prospect for its future expansion. The Chinese silk producer is now giving more and more attention to the American standards and specifications, and making his product more and more fit for American use. Henceforward, there is good reason to expect that America will be a better customer than Europe in China's raw silk market.

#### *Waste Silk*

While raw silk forms the principal material used in silk manufacturing, waste silk is also an important factor in the industry. Waste silk is unreelable material, and must be made into spun silk yarn by a process similar to that used in the spinning of cotton and flax. It has mixed with it, to a greater or less extent, a considerable amount of foreign matter. It is said that "Chinese silk waste is particularly poor in this respect, owing to the fact that so large a part of



the reeling is done at home on the dirty floor.”<sup>1</sup> As the use of the poor grades of waste, as well as of raw silk, involves a greater amount of time and labor than is needed when better material is used, American manufacturers ordinarily find it necessary to employ the better grades of European waste. Since the end of the last century, the American importation of Chinese silk waste, though steadily on the increase, has been quite insignificant as compared with that of raw silk.

Brief statistics of this import are shown in Table 36.

TABLE 36  
AMERICAN IMPORTS OF WASTE SILK FROM CHINA

Year	Qty. in 1,000 lbs.	Value in \$1,000	Year	Qty. in 1,000 lbs.	Value in \$1,000
1895	213	95	1915	2,359	1,068
1900	697	189	1917	3,593	2,131
1905	114	76	1918	7,831	5,677
1910	546	253	1919	4,379	4,363
1913	1,905	1,012	1920	5,582	8,844
			1921	3,636	2,337
			1922	3,316	2,446

One of the most striking developments in the American silk business during the war was the expansion of the spun silk industry.<sup>2</sup> This was caused largely by the war demand for coarse silk cloth with which to make powder bags for the big guns. The bags are made of silk, as it is essential to use a textile that will burn up quickly and completely, leaving no smouldering remnant. Spun silk cloth was chosen rather than cloth made of raw silk because of the comparative cheapness of the former. This special demand raised the quantity and value of American silk waste import from

<sup>1</sup> E. M. Miller, *Some Great Commodities*, p. 170, N. Y., 1923.

<sup>2</sup> *Ibid.*

China during the few years from 1917 to 1920 to abnormally high figures. In 1920 alone, the value of the imports of this article amounted to nearly nine million dollars. But as the special demand ceased with the war, and as such manufactures are not likely to be resumed, the American market for Chinese silk waste rapidly declined.



## CHAPTER VIII

### VEGETABLE OILS

#### *The United States as a Market for Vegetable Oils*

The wide utilization of vegetable oils in American industries and the remarkable growth of Chinese trade with America in these commodities were among the most interesting commercial phenomena of the past decade, and the new development brought about by the World War in connection with their use was for some years very important. As a result of the war American dependence on vegetable oils was temporarily increased in many ways—new uses of them having been discovered, and minor uses suddenly having taken on greatly added importance. Oils formerly little known in this country, such as Chinese soya bean oil, were introduced into America for general use, because the supply of some kinds needed in American industries became insufficient to meet the great demand for war production, while that of others, such as palm oil from Africa, was partly cut off during the war.

Probably the most important effect of the war so far on the use of vegetable oils in the half decade, 1916-1920, was the great increase in their consumption as foodstuffs.<sup>1</sup> The substitution of these oils in liquid or solid form, for animal fats, resulting in a greatly increased consumption of vegetable butters, lards, and flavoring oils, was in part due to the war shortage of animal products.<sup>2</sup> But even before the war the utilization of these oils in industry had reached very large dimensions, and a number of very interesting and novel uses were being developed, such as the making of artificial leather for book binding, the production of artificial rubber, and of substances similar to celluloid. The main industrial uses, however, are in making paints and

<sup>1</sup> Vegetable Oils, *The Economic World*, N. Y., Feb. 23, 1918, p. 259.

<sup>2</sup> *Ibid.*

varnishes, soaps, candles, linoleum and oil cloths as well as lubricants.<sup>1</sup>

Aside from the cotton belt of the United States, the greatest source of seeds and fruits, from which the vegetable oils are pressed, is the Far East. And here China is the largest producer, followed by India, Japan, Malaysia and Oceania. From these primary producing areas some of the seeds have been transported to America to be pressed.

The United States is itself a great producer of vegetable oils. Her huge production, however, is, with the exception of cottonseed and corn oils, still insufficient for her enormous consumption.<sup>2</sup> To meet the discrepancy between her production and consumption, the United States has to import a considerable quantity of vegetable oils every year, and her importation is especially large during years of industrial activity. Table 37 shows her annual imports of some of these oils before, during and after the European War.

TABLE 37

AMERICAN IMPORTS OF VEGETABLE OILS, 1913-22  
Unit: One million pounds<sup>3</sup>

	1913	1918	1919	1920	1921	1922
Cotton seed oil.....	3	18	28	10	1	...
Peanut oil .....	...	69	154	95	3	3
Cocanut oil .....	51	356	281	216	190	227
Soya bean oil .....	12	336	196	112	16	17
Linseed oil .....	1	...	16	35	61	144
Chinese wood oil....	45	43	54	68	27	79
Olive oil .....	39	1	70	31	54	88
Palm oil .....	50	21	42	41	23	58

<sup>1</sup> *Ibid.*, p. 261.

<sup>2</sup> For complete statistics of production and consumption of vegetable oils in the United States in recent years, cf. U. S. Bureau of Census, *Animal and Vegetable Fats and Oils*, 1922.

<sup>3</sup> Data compiled from the *Commerce and Navigation of the U. S.*



These different oils, of course, come from different countries in the world: for instance; Chinese wood oil, from China; peanut and soya bean oils, from China and Japan; while coconut oil, from the Philippines; Palm oil, from Africa; Linseed and olive oils, from Europe.

*China's Oil Trade with the United States*

China's oil trade with America is not a new one, though oils have come only recently to assume an important position in the Chinese-American trade. During the latter half of the nineteenth century Chinese wood oil frequently appeared in the list of American imports from China, and before 1900, it was practically the only kind thus imported. When Japan succeeded Russia in the lease of South Manchuria, other kinds, such as soya bean oil and peanut oil, began to be sold in America through Japanese merchants. It was not until 1911 that a substantial volume of oil trade came into existence between China and the United States. Once started, and later under the stimulation of war demands, this line of trade expanded at remarkable strides until the slump in 1921. Table 38 shows the annual value of the American imports directly from China during the last three decades.

TABLE 38  
AMERICAN IMPORTS OF VEGETABLE OILS FROM CHINA

Year		Value in \$1,000 <sup>1</sup>
Annual Average	1896-1900 .....	110
	1901-1905 .....	262
	1906-1910 .....	783
	1911-1913 .....	2,748
	1914-1916 .....	3,398
	1917 .....	12,021
	1918 .....	39,361
	1919 .....	30,955
	1920 .....	18,460
	1921 .....	2,806
	1922 .....	8,364

<sup>1</sup> Owing to the different units (the gallon and the pounds) used by the United States customs houses to measure the quantities of different kinds of oils, it is difficult to calculate their aggregate quantity.

It is certainly a remarkable fact that American oil imports from China increased with such rapidity. In 1906-10 the total value of the trade did not exceed three-fourths of a million dollars a year, but only a decade later it amounted to from twenty to forty million dollars a year. Yet these figures, representing only the value of direct imports, do not show the total trade. A great part of the imports from Japan and nearly all from Hongkong come ultimately from China.

Table 39 shows the distribution of American oil imports to the various importing countries in 1918-22. It is seen that during the few years of active warfare in Europe, when European and African oil supplies were temporarily cut off from America, China held the indisputable sway in the American market. Together with Japan and Hongkong, she supplied two-thirds of the total American imports in 1918, and nearly half in 1919.

TABLE 39  
DISTRIBUTION OF AMERICAN VEGETABLE OIL IMPORTS

Value Distribution in Percentages									
Year	Value of total American Imports in \$1,000	China including Hong-kong	Japan	Philippine Islands	Dutch East Indies	Italy	Spain	England	Other Countries
1918	110,909	36.8	26.0	27.7	3.9	0.7	0.3	.1	4.5
1919	130,000	25.6	22.8	19.6	2.6	1.4	13.2	2.7	12.1
1920	113,490	20.2	20.7	21.2	7.0	5.0	6.5	9.8	9.6
1921	41,523	8.0	1.0	31.8	5.0	17.6	4.8	12.4	9.4
1922	59,042	14.8	1.2	27.4	...	14.4	4.8	17.1	20.3

In 1921, however, China lost her important position in the trade. She exported to the United States in that year only three million dollars' worth of oils, and her share dropped to



less than one-tenth. The decline in the absolute amount of the trade can be explained, of course, upon grounds which are well known to every business man. They are (1) the business depression which compelled many of the oil consuming factories in this country to close down in 1921 and (2) the imposition of heavy import duties on vegetable oils by the new American tariff act. The first cause resulted first in a maladjustment between demand and supply and then a heavy drop in oil price until it was below the cost of production. But as business depression is only a temporary phenomenon, it can not act as a permanent check upon the oil trade. The second cause, viz., the levying of heavy duties, is, however, a much more serious obstacle to the recovery of the trade, so long as the American Tariff Act of 1922 remains unaltered. As may be noticed in the following comparative list, the American Tariff Act of 1909 admitted all sorts of China's oils free of duty. By the subsequent act of 1913 only peanut oil was taxed six cents per gallon, while the others remained on the free list. These acts, therefore, greatly facilitated their importation during the decade from 1911 to 1920. But in 1921, when business depression set in, the American oil producer felt the need of protection from foreign competition. A heavy rate of duty was then levied by the American Emergency Tariff Act of that year on all sorts of oils coming from China except Chinese nut oil which is not produced in this country. The Tariff Act of 1922 has raised the rate still further and thus practically excluded all Chinese dutiable oils from the American market. This explains why in 1922 there was recovery only in the import of Chinese nut oil but not in those of the other three kinds.

The decline in the relative importance that was held by the Chinese oils in the American oil market a few years ago presents a still more serious consideration as to the possible recovery of China's oil trade with this country. As we have already noticed above, Chinese oils—such as soya bean, peanut, and cottonseed—were imported in some previous years largely as a substitute for some other oils, of which

the supply was either temporarily cut off by the war or became insufficient to meet the extraordinary demand. These other oils thus displaced in the United States have gradually come back to the American market since 1919, and are now displacing their Chinese competitors. It is largely for this reason that American imports of all Chinese oils except wood oil dropped so heavily in 1921-22 as almost to touch their pre-war level.

COMPARISON OF RATES OF AMERICAN IMPORT DUTIES ON SOME  
VEGETABLE OILS IMPORTED FROM CHINA IN THE TARIFF  
ACTS OF 1909, 1913, 1921, AND 1922.

	1909	1913	1921	1922
Chinese nut oil.....	Free	Free	Free	Free
Cotton seed oil.....	Free	Free	20c @ gal. <sup>1</sup>	3c @ lb.
Peanut oil .....	Free	6c @ gal.	26c @ gal.	4c @ lb.
Soya bean oil.....	Free	Free	20c @ gal.	2½c @ lb.

(a) *Soya bean oil.* Of all the vegetable oils the United States imported from China during and immediately after the World War, only four kinds were important, viz., soya bean oil, Chinese nut oil (or wood oil), peanut oil, and cottonseed oil. But among these four kinds by far the most important was soya bean oil. It has been regarded as one of the most remarkable developments of American trade with the Orient in recent years. The shortage and the high prices of other oils at that time induced the importation of this oil in quantity, and its similarity or even superiority to cottonseed oil made a ready market for it.<sup>2</sup> During these years soya bean oil was an important constituent of some of the lard substitutes and edible fats being sold in the United States, besides finding a use in industry similar to that of cottonseed oil. The United States was then by far the largest buyer of this oil, importing nearly ninety percent of the total amount sold in the international market.<sup>3</sup>

<sup>1</sup> 1 gallon is roughly equal to 7 pounds.

<sup>2</sup> Vegetable Oils, *Economic World*, N. Y., *op. cit.*, p. 260.

<sup>3</sup> The Bean Oil Trade, *The Trans-Pacific*, Oct., 1920, p. 57.



The oil comes from the soya bean, which is grown almost solely in North China, especially Manchuria, where the bean has been known for centuries. In the Far East, few vegetables have attained such importance as this bean. To the Chinese, it ranks very high as an essential food, because of its unusually high nutritive value. Besides bean curd, which is an ordinary food as well as a delicacy, the food products from this bean are bean flour, from which a kind of spaghetti is manufactured; bean cheese; soy sauce; bean oil; and bean milk. Most of these uses are still unknown to the Americans although some experiments have been conducted in the U. S. Department of Agriculture. When its high value as food is realized the trade in soya beans would undoubtedly be greater than at present. Table 40 shows the American soya bean imports from China and Japan in recent years.

TABLE 40  
AMERICAN IMPORTS OF SOYA BEAN OIL

	From China		From Japan		Total	
	Qty. in 1,000 lbs.	Value \$1,000	Qty. in 1,000 lbs.	Value \$1,000	Qty. in 1,000 lbs.	Value \$1,000
1913	1,172	61	7,979	379	12,340	636
1916	27,473	1,360	70,384	3,750	98,120	5,128
1918	249,988	24,571	86,831	8,255	336,825	32,827
1919	100,273	13,310	84,218	10,517	195,808	24,019
1920	59,911	7,244	52,301	6,497	112,214	13,721
1921	15,239	607	1,004	50	16,286	660
1922	12,521	724	3,745	222	17,294	1,013

Before the outbreak of the World War, Great Britain was an important exporter of the oil to this country, a large part of the commodity being re-exports of German oil.<sup>1</sup> But since

<sup>1</sup> Beginning in 1910 Germany began to produce the oil, removing the tariff on beans and encouraging the crushers. At the beginning of the war she had developed a considerable oil industry. Vegetable Oils, *The Economic World*, *op. cit.*

the war China and Japan have become the sole suppliers, although the ultimate source of the product is from China alone.

Before the war the American market for this oil was unimportant to China; most of her product went to Europe. But during the war America was practically the sole customer for this oil, assuming that a large part of China's exports to Japan was re-shipped to America. Since the recovery of peace in Europe, however, a large quantity of Chinese oils is again on the way to Europe, and trade with America has greatly contracted.

(b) *Chinese Wood Oil (Chinese nut oil)*. Next in importance comes Chinese wood oil which has been imported from China for decades. After the outbreak of the war trade in this commodity received a new impetus. It is extracted from the nuts of two varieties of a tree, native to China, Indo-China, Tonkin and Annam. The Provinces of Szechwan, Kweichow, Hunan and Hupeh in China are most important sources in the order named.<sup>1</sup> The oil is used extensively in China for water-proofing fabrics, paper, for varnish, putty, lacquer and ink.<sup>2</sup> It is largely used in America as a substitute for linseed oil in varnish, water-proofing for cement, linoleum and paint, because of its rapid drying properties. It dries more quickly than linseed oil, but it does not give as elastic a film as the latter. When heated to 500 F. for a short time it solidifies to a jelly-like mass. This property forms the basis of a heat test of the oil which is very useful in determining its purity.<sup>3</sup>

Practically all the wood oil consumed in the United States is provided by China, as is clearly shown in Table 41. From

<sup>1</sup> Laucks, J. F., *Commercial Oils, Vegetable and Animal*, N. Y., 1919, p. 37.

<sup>2</sup> *Ibid.*, p. 39.

<sup>3</sup> *Ibid.*, p. 37.



Hongkong comes a small part, which, however, is simply the reshipment from South China and Indo-China and Annam.

TABLE 41  
AMERICAN IMPORTS OF CHINESE WOOD OIL

Year	China		Hongkong		Total	
	Qty. 1000 gals.	Value \$1000	Qty. 1000 gals.	Value \$1000	Qty. 1000 gals.	Value \$1000
1913	5,858	2,659	45	26	5,997	2,734
1916	4,901	1,947	46	20	4,968	1,978
1918	4,649	3,896	111	103	4,816	4,038
1919	6,048	6,808	342	439	7,180	8,120
1920	7,436	8,690	897	1,356	9,061	11,077
1921	3,128	2,041	301	242	3,633	2,470
1922	10,162	7,591	255	186	10,545	7,891

Even before the war America was the best market for this oil, importing from China about one million dollars' worth of it every year. During and immediately after the war, however, the expansion of the trade was rapid, and until 1920, the value of its annual imports amounted to eleven million dollars, of which about nine million dollars worth came directly from China. This expansion was, however, largely due to price inflation, the actual quantity of the imported oil increasing much less rapidly. In 1922 the quantity of imports set up a new record at ten and a half million gallons.

Among all Chinese vegetable oils, only wood oil is now admitted free of American import duty. Judging from the decidedly rising trend of the quantity of imports during the last decade it is expected that with the recovery of American industrial activities, imports of this oil will increase still further.

For many years the United States absorbed about one-half to two-thirds of the wood oil exports from China, and

in 1922 its share increased to more than four-fifths. This indicates the importance of the American market for this Chinese oil.

(c) *Peanut Oil*. Another oil of some importance in China's trade with America during and immediately after the War is peanut oil, usually called groundnut oil. This is an oil for the production of which the United States possesses abundant raw material. Quantities of this oil are now being produced in some of the southern states, as it has been found to be suited to almost all the purposes for which other important vegetable oils are used.<sup>1</sup> But in the prosperous years following the European War American production fell short of its consumption by one-half to two-thirds;<sup>2</sup> it became necessary to import a great deal of it for some years.<sup>3</sup>

The countries growing peanuts, besides the United States, are: China, French West Africa, Nigeria, and India. Before the war these countries all shipped the nuts, shelled or unshelled, to Marseilles, which was the sole source of almost all the peanut oil of international commerce. The actual output was over thirty million gallons a year.<sup>4</sup> The United States then imported over a million gallons, chiefly from France, and some from Holland and Germany.

The war more or less cut off the shipments of peanuts to Marseilles, and as a result the trade fell off. On the other hand, pressing in Japan and China received a great stimulus. But for the same reasons as stated above, (viz. business depression, substitution of domestic oil, and heavy import duties) direct imports from China has practically ceased since 1921; and because of the last two reasons, the future of the trade is not promising. For some years these two countries took the lead as world exporters of this oil, and the United States made heavy imports of it therefrom.

<sup>1</sup> Vegetable Oils, *The Economic World*, op. cit., p. 262.

<sup>2</sup> See U. S. Bureau of Census: *Animal and Vegetable Fats and Oils*, 1922.

<sup>3</sup> See Table 37.

<sup>4</sup> Vegetable Oils, op. cit., p. 262.



Table 42 shows the American imports of this oil since 1913.

TABLE 42  
AMERICAN IMPORTS OF PEANUT OIL FROM

Year	China		Hongkong		Japan		Total	
	Qty. 1000 gal.	Value \$1000	Qty. 1000 gal.	Value \$1000	Qty. 1000 gal.	Value \$1000	Qty. 1000 gal.	Value \$1000
1913	11	7	68	42	.....	.....	1,196	821
1916	277	119	108	54	708	312	1,475	818
1918	3,509	2,998	91	111	4,631	4,157	8,289	7,312
1919	7,030	7,339	1,062	1,461	12,354	13,058	20,540	22,010
1920	2,304	3,008	899	1,284	9,251	12,353	12,683	16,990
1921	4	3	212	145	1	1	402	314
1922	21	3	1,601	170	62	5	2,470	281

From this table we notice that even after the outbreak of the war and the stoppage of the Marseilles oil trade, China supplied the United States with only one-fourth to one-half of what the latter imported, but this is very misleading. Practically all imports from Hongkong came from China, and this is true of at least one-half of the imports from Japan. This is evidenced by the fact that China exported annually a large quantity of this oil to Hongkong to be distributed to America as well as to Europe. She also exported even more oil to Japan to be re-shipped to the United States than what the United States directly imports from China.

(d) *Cottonseed Oil.* Cottonseed oil is of only temporary importance in China's oil trade with the United States. The latter country has always been by far the largest producer of this commodity because it has been the world's chief

cotton growing country. It is therefore self-sufficient in regard to this oil.

During the few boom years of the World War, however, the demand for this oil was so increased in the United States that a fairly large quantity, averaging more than ten million pounds, valued at one or two million dollars, was imported from China to supplement the native oil. Nearly one-half to four-fifths of the total Chinese imports were absorbed by this country. But after 1920 the American market for Chinese cottonseed oil suddenly dropped because, on the one hand, the demand of American industry could easily be supplied by the domestic product, while, on the other, the heavy import duty raised on this oil by the Tariff Act of 1921 and 1922 has put an end to its competition with the domestic product. Since 1921 no imports in this oil were made into the United States and there is little prospect that Chinese cottonseed oil will sell in any great quantity in this country unless an extraordinary demand should arise and high prices prevail here.

#### COTTON MANUFACTURES: LACES

Before the European War very little Chinese cotton manufactures were imported into this country. In stating this, however, we must not, of course, forget that in the old days of Chinese-American trade, Nankeens (a kind of cotton cloth) had been for several decades one of the principal imports from China. But with the gradual development of the last century, the importation of Chinese cotton cloths ceased. And until very recently the value of Chinese cotton manufactures imported amounted only to a few thousand dollars a year. They were composed of some cloths and apparel for the use of some Chinese residents in this country.

Immediately following the outbreak of the World War, however, there was introduced in China a new cotton industry which has played quite an important part in the Amer-



ican import trade. Its product has recently taken a growing share in the trade, and in a period of six years it has grown up from nothing to a value of two and a half million dollars a year. This is the trade in handmade laces.

The rise of the Chinese lace industry is an indirect result of the recent Great War. Foreign missionary ladies in Chefoo, Shanghai, Foochow, Amoy and Swatow introduced lacemaking several years before among the Chinese women.<sup>1</sup> When the war broke out in 1914, the American people, who had been using a tremendous amount of lace, were entirely cut off from the sources in European countries. The Chinese lace industry was then only in its infancy. But the Chinese rose to the opportunity offered by the large demands in America. The speed with which they developed their lace industry as if in a twinkling, producing lace of every kind to fill the needs of the American people, shows the ability of the Chinese to take advantage of a good trade opportunity.<sup>2</sup>

In an article on the Chinese lace trade appearing in the *China Review*, Mr. T. E. Pun, a prominent Chinese merchant in New York, wrote as follows:<sup>3</sup>

"Chinese lace compares favorably with the best European lace today. For some purposes American women have even found Chinese lace preferable. It is made more cheaply in China than is possible elsewhere because of the low wages paid in China.

"The Chinese lace industry is scattered throughout the country today. Chefoo, Canton, Shanghai, Foochow, Ningpo, Amoy and Swatow are the centers. The idea generally conveyed to large consumers in this country that the American importers of Chinese lace maintain their own factories or depots in China and have direct control over the workers is without foundation.

<sup>1</sup> Arnold, J., *Commercial Handbook of China*, Washington, 1919, p. 300.

<sup>2</sup> *Ibid.*

<sup>3</sup> *China Review*, N. Y., March, 1923.

"Chinese laces are being used in the manufacturing of not only women's wearing apparel of every description but also extensively in the making of household articles. A condition that is growing in this country is that American women are again turning to home sewing, and it is natural that they should show a great deal of partiality to handmade lace."

Before the war China was a lace-importing country. Only in the last few years has lace figured as a Chinese export, of which about 80 per cent. was imported by America.

TABLE 43

AMERICAN IMPORTS OF COTTON MANUFACTURES FROM CHINA

Year	Laces, and Articles Made Thereof		All Other	All Other Cotton Manufactures, Such as Cloths, Wearing Apparel	Total
	Laces				
	1000 Yards	\$1000	\$1000	\$1000	\$1000
1914	.....	.....	.....	46	46
1915	.....	.....	.....	27	27
1916	.....	9	9	43	61
1917	.....	150	11	163	324
1918	.....	395	41	30	465
1919	7,304	1,160	192	33	1,385
1920	7,155	1,477	542	99	2,118
1921	17,170	2,632	340	67	3,039
1922	.....	2,438	303	105	2,846

Table 43 shows the American import of Chinese laces and other cotton manufactures since 1914. After 1918, the trade in laces and articles made of them expanded with very great rapidity. In 1920 the total value of American lace imports amounted to two million dollars,



while in the next two years, in spite of the business depression and price drop, it increased with another large stride to nearly three million dollars a year. It seems quite obvious that so long as the lace using style remains unabated in this country, the future of the trade must be bright, because of the cheap labor in China, and therefore, the cheaper price for hand-made laces.

## CHAPTER IX

## OTHER IMPORTANT COMMODITIES

## WOOL

In the years immediately preceding 1914, the wool industry of the United States consumed annually about 500,000,000 pounds of wool.<sup>1</sup> Of this total American domestic wool production constituted about three-fifths.<sup>2</sup> While it is as yet too early to determine what part of the expansion in wool consumption which took place during the war years will prove permanent, it is estimated that normal consumption of wool by American mills is now somewhat in excess of 600,000,000 pounds a year.<sup>3</sup> The domestic clip of the United States has not varied far from 300,000,000 pounds in thirty-five years,<sup>4</sup> so that increased consumption must be taken care of by increased imports. Since 1914, the imports of all kinds of wools have been around 350,000,000 to 400,000,000 pounds a year.<sup>5</sup>

Since the later decades of the nineteenth century wool has held an important place in the American import trade with China. During the fifteen years, 1891-1905, the United States imported from China about 20,000,000 pounds a year, at a value of something more than one and one-half million dollars. It constituted from 5 to 7 per cent of all the American imports from China, and about 10 per cent. of the total American wool imports. From 1906 to 1913, the annual imports from China increased 50 per cent., being around thirty million pounds a year at an average value around three and a half million dollars. Their share in the total

<sup>1</sup> E. M. Miller, *Some Great Commodities*, New York, 1923, p. 276.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> Total Imports of Wool into the United States, 1909-13, five-year average, 211,000,000 lbs.; 1914-18, five-year average, 363,000,000 lbs.; 1918, 454,000,000 lbs.; 1919, 446,000,000 lbs.; 1920, 260,000,000 lbs.; 1921, 321,000,000 lbs.



American imports from China increased to 12 per cent; and in the American total wool imports, to 16 per cent.

Before the war, the United Kingdom used to be the biggest wool supplier of this country.<sup>1</sup> China came second, Argentina third, Australia fourth, then New Zealand, Uruguay and Canada took the remaining share.<sup>2</sup> But in spite of her high rank according to the quantity of wool supplied, China's wool was at that time composed exclusively of carpet materials, which commanded a much lower price than those for clothing and combing wools of the other exporting countries.

TABLE 44  
AMERICAN WOOL IMPORTS FROM CHINA

Year	Unmanufactured Wool	
	1,000 lbs.	\$1,000
Average		
1891-1895.....	16,311	1,339
1896-1900.....	22,371	1,606
1901-1905.....	20,518	1,914
1906-1908.....	28,012	3,362
1909-1913.....	33,284	3,807
1914-1918.....	38,545	9,089
Calendar		
Year		
1918 .....	42,910	14,235
1919 .....	38,985	12,987
1920 .....	15,334	5,397
1921 .....	46,804	5,483
1922 .....	63,214	9,712

After the outbreak of the European War, the American de-

<sup>1</sup> Much of the wool import credited to the United Kingdom is merely trans-shipments originated from Australia.

<sup>2</sup> American total wool imports, five-year average, 1909-13: From United Kingdom, 73,486,000 lbs.; from China, 33,284,000 lbs.; from Argentina, 29,856,000 lbs.; from Australia, 18,589,000 lbs.; from New Zealand, 4,533,000 lbs.; from Uruguay, 3,737,000 lbs.; from Canada, 1,163,000 lbs.

TABLE 45  
AMERICAN WOOL IMPORTS FROM CHINA, CLASSIFIED

Year	Clothing Wools		Combing Wools		Carpet Wools		Total	
	1,000 lbs.	% of U. S. Total Imports of Clothing Wool	1,000 lbs.	% of U. S. Total Imports of Combing Wool	1,000 lbs.	% of U. S. Total Imports of Carpet Wool	1,000 lbs.	Total % of U. S. Imports of All Kinds of Wool
Fiscal Year		A		B		C		D
1909-13	1	...	1	....	33,282	31.60	33,284	15.80
June 30								
5-Year Average	6,241	2.34	419	2.68	31,885	39.50	38,545	10.60
Calendar Year								
1918	10,506	2.82	1,206	12.08	31,198	44.90	42,910	9.45
1919	8,529	2.56	643	4.33	29,814	30.80	38,986	8.75
1920	525	0.25	2,864	25.22	11,763	32.80	15,152	5.85
1921	8,455	4.07	914	6.13	37,183	38.00	46,552	14.20
1922	186	0.49	1,495	0.96	61,533	35.60	63,214	17.20



mand for all kinds of wool suddenly expanded, while the huge supplies of clothing and combing wools which used to come to America from the United Kingdom practically stopped for some years. Though imports from Argentina, Australia, New Zealand, Uruguay, British South Africa, and Canada, were growing by leaps and bounds, they were still insufficient to fully meet the growing American demand. It was under these abnormal conditions that the United States began to import clothing and combing wools from China. During the five-year war period, the import of clothing wools averaged 6,241,000 pounds a year, constituting 2.34 per cent of the total American imports of clothing wool. From 1918 to 1921 (with the exception of a single year, 1920, which was a year of depression in the woollen and worsted industry in America) the average import from China grew to 8,500,000 pounds, constituting a little more than 3 per cent of the total American clothing wool imports. (See Table 45, column A.)

With regard to combing wool, importation from China since 1914 has fluctuated year by year. During the five-year war period, its quantity averaged 419,000 pounds annually, constituting 2.68 per cent of the total American imports of this kind of wool. It increased in 1918 to 1,206,000 pounds, which was one-eighth of the total, and in 1920 to 2,864,000 pounds, one-fourth of the total. (See Table 45, column B.) The huge increase of the latter year was rather abnormal, due largely to the shortage of this wool in Argentina. When in 1921-22 importation from that country resumed its usual size, China's share again dropped to a little more than one million pounds a year.

As regards carpet wool, China has been for some decades the biggest source of supply for the United States. The annual quantity of imports has remained quite steady since 1909, usually being around 30,000,000 to 35,000,000 pounds a year, constituting one-third to two-fifths of the total American carpet wool imports. (Table 45, column C.)

Taking the aggregate quantity of all these wools, Amer-

ican imports from China remained fairly steady in 1909-20. Throughout the whole period, it fluctuated closely around the figure of 40,000,000 pounds a year. Owing to the enormous inflation of price in some years following the war, however, its aggregate value increased in disproportion to its quantity. During the quinquennium, 1909-1913, it averaged only \$3,807,000, but in the next period, 1914-1918, it amounted to \$9,089,000 a year with only a small increase in quantity. In 1918 and 1919 the value gained another huge increase, without any increase in the volume. In 1921-22 when the market slumped, the total import value dropped heavily, while the quantity expanded to a record of forty-seven million and sixty-three million pounds respectively. (See Table 44.)

The amount of sheep's wool annually produced in China is roughly estimated at 40,000,000 pounds,<sup>1</sup> although there are no available statistics showing the actual production. In spite of the alleged fact that its quality does not come up to that of American and Australian wool, Chinese wool has begun to be regarded as one of the world's promising products, inasmuch as the demand for wool materials is constantly on the increase.

In China sheep wool comes from Mongolia and Western Asia. Most of it is taken to Tientsin for cleaning, steaming, grading and press-packing in preparation for export. Formerly Japan was its heaviest buyer. But now American importers are competing with the Japanese for this wool. About 46,000,000 pounds a year are shipped abroad, 65 to 75 per cent going to the United States.<sup>2</sup>

According to an American wool importer in the Orient, the reason that the Chinese sheep wool is inferior to American or Australian wools is largely because the sheep of

<sup>1</sup> C. O. Levine, *China in the World Wool Market. The Trans-Pacific*, August, 1922, p. 77 ff.

<sup>2</sup> U. S. Bureau of Foreign and Domestic Commerce, *Miscellaneous Series No. 84, Commercial Handbook of China*, Vol. II, p. 280.



China are not especially wool sheep, being raised chiefly for meat or for their skins. However, much of the inferiority in quality is due to the fact that the wool is sometimes mixed up with dirt and other foreign materials. It is therefore employed chiefly for the manufacturing of carpets, blankets and knitted goods. Although Chinese wool cannot be used for cloth of high quality, it is, because of its low price, coming to be recognized as an important raw material for coarse articles.

Another kind of Chinese wool is camel's hair, which comes from the Mongolian steppes and is also collected at the port of Tientsin for export. It serves for varied uses, among which is the making of camel's hair blankets and rugs. The best of that which goes abroad is said to be used in the finer grades of woollen underwear, by reason of its softness.<sup>1</sup> The exports from China amount to 4,800,000 pounds a year, one-fourth to one-third of which goes to the United States.

In addition to the camel's and sheep's wools, China also exports about 2,200,000 pounds of goat's hair, about one-third of which comes to this country.

The number of the wool-producing sheep and cattle raised in China is small compared with other wool-raising countries of similar size. China, including Mongolia and Tibet, is larger in area than the United States and all her territorial possessions. With the stretches of good grazing lands in Mongolia, Tibet and many inner provinces, it appears that with increasing wool prices, better transportation facilities, a good police system for her mountain regions, and the introduction of improved breeds of sheep, great developments may be expected in the wool industry both in quality and quantity. China may therefore expect to become a more important wool-producing country in the near future, and be in a better position to compete with South America and Australia in the sale of her product to the United States.

<sup>1</sup> *Commercial Handbook of China, op. cit.*, p. 280.

With regard to the trade in wool manufactures, nearly all exports from China are in the form of carpets and rugs. In the course of the past ten years, trade in Chinese carpets and rugs has shown a remarkable development.<sup>1</sup> The chief center of their production is the northern provinces of China, bordering Mongolia and the chief port of export is Tientsin.

It was only nineteen years ago (in 1905) that the United States began to import carpets and rugs from China. Although the volume of this import trade before the European War was quite insignificant, Oriental rugs have earned for themselves a high reputation in this country which is quite disproportionate to their volume of trade. From 1905 to 1913, the annual value of imports did not exceed a few thousand dollars a year.

Since 1914, however, the growth of the trade has been very rapid, and in each of the two years, 1920-1921, this country imported from China a full quarter of a million square yards of these Oriental fabrics, at an average value of one and one-half million dollars. In 1922 the trade doubled its size of the preceding years both in quantity and value. Table 46 shows these imports from China, 1905-1922.

<sup>1</sup> Following data are extracted from the annual Trade Returns of the Chinese Customs, showing the annual value and the destination of China's rug exports, 1913-22:

Year	Total Exports of Carpets and Rugs from China in 1,000 HK Tls	Exports to U. S. in 1,000 HK Tls	% of the Total Exports	Exports to Japan in 1,000 HK Tls	% of the Total Exports
1913	100	55	55%	6	6%
1915	165	102	62	50	30
1917	796	431	55	329	42
1919	461	295	64	70	15
1920	1,424	1,033	73	173	12
1921	975	648	66	87	9
1922	3,300	2,697	81	332	10



TABLE 46

AMERICAN IMPORTS OF CARPETS AND RUGS FROM CHINA, 1905-1922

	Year	1,000 Sq. Yds.	\$1,000
Average	1905-1908..... (a)	7	
Year Ending	1909-1913..... (a)	18	
June 30	1914-1918.....	63	338
Calendar	1918.....	85	407
Year	1919.....	90	442
	1920.....	251	2,012
	1921.....	250	1,393
	1922.....	469	2,595

(a) Quantities not reported in these years.

Since the beginning of this carpet and rug trade, the United States has ever been China's best customer.<sup>1</sup> Before the war, the United States took from China more than half of the latter's total export, while after 1914, she took about two-thirds.<sup>2</sup>

## HUMAN HAIR AND HAIR NETS

The increasing importance of the rôle played by so trifling an article as human hair and hair nets in China's foreign trade, especially that with America, deserves to receive our separate attention. It was only fifteen years ago that the United States began to import human hair from China. No hair nets were imported until 1914. But during 1920-22 their aggregate value nearly averaged seven million dollars a year.

With the revolution in 1911, the cutting of queues among the Chinese became very general throughout the south and

<sup>1</sup> See footnote on the previous page.<sup>2</sup> The reader interested in Chinese carpets and rugs is advised to consult American Vice-Consul J. C. Huston's report on "The Rug Industry of North China," which appeared in *U. S. Commerce Reports* for July 8, 1918; and Rodney Gilbert's report in the same reports for April 25, 1917.

extended gradually throughout the north. So the supply of human hair was greatly augmented, and the trade in it received a new stimulus. This supply has been supplemented by the combings of the women and by barber shop cuttings. Before the war a large part of this supply was directly sent to Europe; only a small part, not more than 4 to 5 per cent, was sold in America. But since 1916 the American market has expanded, and in 1919, 1920 and 1921 it absorbed nearly 50 per cent of China's total exports. Table 47, Column A, shows the quantity and value of the human hair imported into this country from China.

The development of the hair trade is incomparable to the phenomenal growth of the hair net trade. Perhaps none of the infant industries in China has had a more spectacular expansion than that of making hair nets. This industry, though insignificant as it might seem to be, now gives employment to thousands who are providing these articles for millions of American ladies. Although the industry was introduced into China by the Germans only fifteen years ago, in 1920 more than 140,000,000 hair nets were shipped to America from a single Chinese city, and the total annual exports of this product are valued at more than \$10,000,000.<sup>1</sup> These nets are used by American ladies to keep their hair in place. A few years ago they were used rather as an adornment or luxury, but now are regarded as a comfort or even a necessity.<sup>2</sup>

The Chinese hair net industry was another product of the war, which promises to be one of permanence. Before the World War, Italy and Galicia shared with China the responsibility for producing most of the hair used in hair nets, while their manufacture centered in Alsace-Lorraine, Galicia and Bohemia.<sup>3</sup> During the period of hostility, however, the industry gradually drifted to China and hair nets are now

<sup>1</sup> The Hair Net Industry in North China, by H. W. Robinson, *The National Geographic Magazine*, September, 1923, p. 327-336.<sup>2</sup> Hair Nets: *The China Review*, N. Y., January, 1922, p. 56.<sup>3</sup> The Hair Net Industry in North China, *op. cit.*



practically an exclusive product of that country. The provinces of Shantung and Chihli are the largest producers. A pound of prepared hair, which costs as much as several dollars, depending upon length and quality, will make over two thousand nets, and a whole gross of hair nets weighs only about one ounce.<sup>1</sup> The nets are made by hand and the girl workers receive about one cent each for their labor. The average person can hardly make ten a day.<sup>2</sup>

As the jet black color of the Chinese hair is not suitable to the use of the American whose hair is usually light in color, the hair before being used in knitting into nets is bleached and re-dyed through the use of chemicals. Formerly the raw hair was shipped from China to Europe or America where the chemical operations were performed, and then sent back to China for manufacture. But as the industry developed, the preparation of the hair has also been transferred in great part to China. Probably nine-tenths of the hair nets exported from China at present are made from hair that has been prepared in that country. The bleaching and dyeing operations performed by the Chinese chemical plants give perfectly satisfactory results.<sup>3</sup> There is also one American firm which has already completed arrangements to prepare its own hair in China under the supervision of expert American chemists.<sup>4</sup>

It seems that American ladies are well satisfied with these nets; they also appear inclined to use more and more of them in the near future. Table 47, Column B, shows the annual value of hair nets imported into this country from China. It is really wonderful that in less than ten years it increased from less than one thousand dollars to more than eight millions. It is worth noticing that in 1921, which was notably a slump year in nearly every line of business, the value of the net trade made a substantial increase in spite of

<sup>1</sup> *Ibid.*

<sup>2</sup> *Ibid.*

<sup>3</sup> J. Arnold, *Commercial Hand Book of China*, Vol. II.

<sup>4</sup> The Hair Net Industry in China, *op. cit.*, p. 333.

the heavy drop of the general price level. Once it establishes itself in the American market, China may rely on it to give employment to thousands of her girl workers so long as the style of net-wearing persists in this country. This trade is also one in which China does not fear the competition of any other country, because China has a vast supply of cheap labor, which is not existent in any other place. A single net requires the tying by hand of one thousand knots or more, for which labor the price paid during the last few years has not varied much from two to two and a half coppers, or about one cent in American currency.

TABLE 47  
QUANTITY AND VALUE OF HUMAN HAIR AND ITS PRODUCT IMPORTED  
FROM CHINA TO THE UNITED STATES

Year	Human Hair Unmanufactured		Human Hair Manufactured
	1000 lbs.	A \$1,000	B \$1,000
1913.....	324	172	....
1914.....	167	60	1
1915.....	262	70	5
1916.....	434	74	182
1917.....	319	85	487
1918.....	870	340	709
1919.....	1,100	463	2,031
1920.....	1,353	604	6,257
1921.....	623	193	8,354
1922.....	629	190	5,804
1923.....	199	79	....

#### BRISTLES

Bristles obtained from the hog are the principal raw material used in brush manufacture.<sup>1</sup> The best grades of

<sup>1</sup> For an exhaustive account of bristles taking part in the American brush industry, see United States Tariff Commission: Tariff Information Series No. 8: *The Brush Industry*, p. 24 ff.



bristles, determined by length, color, stiffness, shape, texture and resiliency, are obtained from hogs living in cold climates; hence Russian and Siberian bristles are known for their superior quality. Russia and China supply most of the bristles used in the American brush industry. Russia ranks first in production, followed in the order named by China, Germany and India. Other countries of Central Europe produce and export considerable quantity of bristles. Those produced in the United States are a by-product of the slaughter houses. They are short and inferior in quality on account of the breeding of the hog and its immaturity when slaughtered. American bristles are used principally in the manufacture of the cheaper grades of brushes, such as shoe and dust brushes.

The introduction of Chinese bristles into the American market was an important event in the brush industry. The objections of the trade to the substitution of Chinese for Russian bristles were largely overcome by the discovery of the proper treatment of the Chinese bristle. The chief obstacle to the use of the Chinese product was the fact that its peculiar characteristics necessitated a method of treatment different from that used in preparing the Russian bristle. Chinese bristles are generally black and range in length from two and one-half to seven inches. They are as resilient as the Russian, but are said to be not so tough or so durable. Yet the United States has been importing bristles from China since the later decades of the last century. Both the quantity and value of this import grew quite rapidly in the past. Thirty years ago in 1894, this country imported only 74,000 pounds of this article at \$27,000. Ten years later, in 1904, it increased to 921,000 pounds at \$475,000. In another ten years, both the quantity and value nearly doubled the figures for 1904. For the last ten years, China

exported 8,000,000 pounds of bristles a year,<sup>1</sup> of which about two-fifths was sent to America, ranging from less than one and a half million pounds at less than one million dollars before the war, to nearly three and a half million pounds in 1920. (See Table 48, Column A). At present, sorted, bunched and prepared bristles are taking quite an important share in the trade between China and the United States, more than 3 per cent of the total.

TABLE 48  
QUANTITY AND VALUE OF BRISTLES AND OTHER ANIMAL HAIRS  
IMPORTED FROM CHINA TO THE UNITED STATES

Year	Bristles Sorted, Bunched and Prepared		Horse Hair Unmanufactured		Hair of All Other Animals	
	A		B		C	
	1000 lbs.	\$1,000	1000 lbs.	\$1,000	1000 lbs.	\$1,000
1894	74	27	....	....	....	....
1899	389	170	....	....	....	....
1904	921	475	....	....	....	....
1908	1,363	800	....	....	....	....
1912	1,488	869	(b)	(b)	(a) 321	(a) 80
1913	1,439	922	....	....	418	168
1914	1,410	934	143	120	10	1
1915	2,359	1,623	194	95	170	17
1916	2,359	1,612	471	178	768	90
1917	2,385	1,728	995	509	656	96
1918	3,173	3,381	678	321	87	51
1919	2,159	2,750	636	351	64	34
1920	3,357	6,168	643	489	93	58
1921	2,540	3,831	782	500	81	38
1922	2,721	2,969	735	490	274	94

(a) Including horse hair.

(b) Included in "Hair of Other Animals."

<sup>1</sup>The total annual export of bristles from China averaged for the last ten years about 60,000 piculs (133½ pounds = 1 picul). See data in the Trade Reports and Returns of Chinese Customs.



Before the war England had shared with China the bristle trade of America. During the war period England's share dwindled to very small figures, while China almost got the whole trade. Even after the Armistice, this condition has not changed. China now supplies about 80 per cent of the United States bristle imports, (see Table 49) and, owing to the fact that the price of English bristles is much higher than the Chinese, she will be able to hold the market in the future.<sup>1</sup>

TABLE 49  
UNITED STATES IMPORTS OF BRISTLES  
FROM

Year	China		Hongkong		England		Total	
	1000 lbs.	\$1,000	1000 lbs.	\$1,000	1000 lbs.	\$1,000	1000 lbs.	\$1,000
1913	1,439	922	42	30	1,050	1,169	3,559	3,492
1918	3,115	3,369	357	558	182	747	4,119	5,640
1919	2,126	2,727	51	118	558	1,468	3,081	5,932
1920	3,322	6,020	39	58	882	2,299	4,821	10,102
1921	2,529	3,778	102	120	528	761	3,414	5,341
1922	2,721	2,969	15	15	827	1,286	4,085	5,346

Data from the *United States Navigation and Commerce*.

For the making of soft brushes, horse and other animal hair has also been imported from China in increasing quantities. (See Table 48, Columns B and C). But it has not as yet attained a place of importance in the trade.

#### HIDES AND SKINS

The United States is one of the foremost leather manufacturing countries in the world. It produces an immense

<sup>1</sup> By comparing the small quantity of English imports with its rather big value, we know the price of English bristles is usually two or more times higher than that of Chinese bristles.

quantity of hides and skins from its vast herds of live stock.<sup>1</sup> Yet the quantity of raw material needed by its numerous leather factories is so tremendous that under normal business conditions it has to import each year more than one hundred million dollars worth of hides and skins of various sorts nearly from every nook and corner of the globe. Several years during and immediately after the war, its imports amounted to an annual value of more than two hundred million dollars.

Hides and skins have long assumed an important place in the Chinese-American trade since the closing years of the preceding century. During the two decades, 1891-1913, the trade expanded nearly ten times, as shown in the last column of Table 50. In 1891-95, the quantity of hides and skins imported from China was not reported while the value was less than four hundred thousand dollars a year. In 1911-13 the quantity increased to fifteen and a half million pounds a year, and its value to three and a half million dollars. This growth was partly due to the effect of the American Tariff Act of 1909, which put all hides and skins on the free list.<sup>2</sup> Stimulated by the war and post-war demand during 1914-1920, the quantity and especially its value showed another huge increase. Thus in the single year of 1917, the United States imported from China fifty-nine million pounds of hides and skins at a value of twenty-seven and a half million dollars, whereas in 1920, twenty-nine million pounds at thirty-one million dollars. In 1921-22 these imports declined to nearly their pre-war size, but with the gradual recovery of industrial activities in America, they are now rising again.

<sup>1</sup>For a fuller description of the hide and skin markets in the United States, cf. U. S. Tariff Commission, Information Series, No. 28, *Hides and Skins*, 1922.

<sup>2</sup>Before 1909, cattle hides were taxed at 15 per cent *ad valorem*, while other kinds free.



Although Chinese hides and skins have been extensively imported into this country, their share in the total American imports of these materials has never become very big. Before the war, the American tanners and leather manufacturers got their supply of raw materials mainly from Germany, Russia in Europe, the United Kingdom, France, and other Central European countries, British India, Canada, Mexico, Argentina, Brazil, Columbia, Chile, Uruguay, British Africa, New Zealand and Australia, and although their import from China was then already quite large China's average share in 1911-13, was less than four per cent. But during the war and post-war period, the European source of supply was almost completely cut off, and the increasing demand in the United States had to be met by China as well as by other Asiatic and American countries. In 1916-1920, therefore, China's share increased to around ten per cent.; in 1921-22, it stood at 6.5 per cent., showing a substantial increase over that of the pre-war period. (See Table 51.)

China's tremendous production of domestic animals has long served, and will still better serve, the leather industry of this country as a ready source of raw materials.<sup>1</sup> Hides are from cattle, buffalo, horses, and donkeys, whereas skins are from goats, sheep, calves, colts, etc. Heavy hides are used for the production of sole leather, machinery belting, suit cases, trunks, etc., and light hides for light shoes and for uppers. Sheep and goat skins are used for the lightest footwear, gloves, fancy goods, purses, upholstery, etc. Among all the different kinds, imported from China, goat skins are by far the most important kind, usually constituting more than four-fifths of the total value of the imports from that country. Second to goat skins in importance is cattle hides, while all the other kinds have not as yet reached large

<sup>1</sup>Regarding the production of hides and skins in China, see U. S. Bur. of For. & Dom. Com., Special Agent Series No. 173. *Shoe and Leather Trade of China and Japan*, by Bosworth, 1918, pp. 14 ff.

TABLE 50  
AMERICAN IMPORTS OF HIDES AND SKINS FROM CHINA

Year	Cattle and Buffalo Hides		Goat Skins		Sheep, calf, horse, colt and all other		Total	
	Qty., 1,000 lbs.	Value, \$1,000	Qty., 1,000 lbs.	Value, \$1,000	Qty., 1,000 lbs.	Value, \$1,000	Qty., 1,000 lbs.	Value, \$1,000
1891-95 .....							<sup>a</sup> 7,691	379
1896-1900 .....							10,978	1,198
1901-05 .....							13,447	2,413
1906-10 .....							15,308	3,472
1911-13 .....	4,428 <sup>b</sup>	953 <sup>b</sup>	9,382	2,528	1,498	246	20,256	3,727
1914-15 .....	10,893	2,516	7,601	2,006	1,762	349	48,490	4,870
1916-17 .....	22,858	6,582	18,281	9,876	7,351	2,088	23,214	18,546
1918 .....	5,876	1,923	13,812	8,753	3,526	1,299	33,396	11,975
1919 .....	11,050	3,720	15,217	10,942	7,129	2,487	28,828	17,149
1920 .....	7,666	2,854	19,062	26,634	2,100	1,318	12,973	30,806
1921 .....	1,499	263	10,586	3,608	888	325	19,351	4,195
1922 .....	4,655	824	13,408	5,708	1,288	434		6,966

<sup>a</sup> Quantity not reported before 1895.

<sup>b</sup> Not including Buffalo Hides.



sizes. But as all kinds are imported free of duty, there is no reason why China can not increase her share by sending America more of the other kinds on a competitive basis with other countries.

TABLE 51

CHINA'S SHARE IN AMERICAN IMPORTS OF HIDES AND SKINS, 1911-12

Year	Value of American imports of hides and skins from all countries in \$1,000	Value of American imports of hides and skins from China in \$1,000	% of the total
1911-13 .....	96,789	3,727	3.9
1914-15 .....	111,211	4,870	4.4
1916-17 .....	185,334	18,546	10.0
1918 .....	108,044	11,975	11.1
1919 .....	306,510	17,149	5.6
1920 .....	243,878	30,806	12.6
1921 .....	67,561	4,195	6.2
1922 .....	107,036	6,966	6.5

## FURS

Closely related to the importation of hides and skins is that of Chinese furs. Between 1875 and 1890, American furriers, being hard pressed by intense demand for more furs in this country, sought a new source of fur supply and found it in China.<sup>1</sup> From the Orient they imported large quantities of goat and dog skin plates and robes, which were easily worked up into warm and serviceable coats and sleigh robes. "At first the Chinese furs were very low in price, and excellent profit producers for the importers, but in a comparatively short time competition moved prices up in China and profits down in America. The consumption of goat and dog skins was still large, but both animals con-

<sup>1</sup>For early fur trade between China and the United States, see Belden, A. L., *The Fur Trade of America*, N. Y., 1917.

tinue to flourish in China in ample numbers to meet the demand."<sup>1-2</sup>

But between 1891 to 1913 the trade remained practically stationary, amounting annually to about three hundred thousand dollars a year. In fact, the relative importance of Chinese furs in the American market steadily declined as the total Chinese-American trade was growing year after year. During that period the large exporters of furs to the United States were England, Germany, Canada, Australia and Argentina; and the share of China in the trade was only one or two per cent.

TABLE 52

AMERICAN IMPORTS OF FURS FROM CHINA, 1891-1922 AND PERCENTAGE OF THE TRADE IN THE TOTAL AMERICAN FUR IMPORTS.

Year	\$1,000 Undressed	Dressed, \$1,000	Manufac- tures, \$1,000	Total import from China, \$1,000	% of import from China to total American fur imports
1891-95 ....				389	
1896-1900 ...				281	
1901-05 ....				261	
1906-10 ....				302	
1911-13 ....	124	254		377	1.5
1914-15 ....	48	409	136	593	4.7
1916-17 ....	376	764	96	1,236	5.3
1918 .....	2,373	467	262	3,102	9.01
1919 .....	5,258	223	1,845	7,326	10.2
1920 .....	10,731	231	1,532	12,494	13.4
1921 .....	4,047	93	679	4,819	11.9
1922 .....	12,125	273	1,447	13,847	20.0

But a great change in the fur trade has been effected by the war since 1914. During the disturbance of the war, American fur imports from Europe declined rapidly. With Canadian, South American, and Australian furs insufficient to meet the increasing demand in this coun-

<sup>1</sup> *Ibid*, p. 293.

<sup>2</sup> For a fuller description of fur trade in China, see *Ibid*, pp. 427-32.



try, the United States looked once more to China, as she did a half century before, for an additional supply. Under these conditions, Chinese furs were extensively bought by American firms in the East, and the value of the trade rose from half a million dollars in 1914 to three millions in 1918, to seven millions in 1919, and again to twelve millions in 1920. In 1921, the trade suffered a setback, due to the business stagnation in America. In 1922, it recovered more than its loss in the preceding year, and the value amounted to a record figure of fourteen million dollars. The relative increase of the trade was likewise phenomenal; in 1914 the value of Chinese furs imported by the Americans was only 4.7 per cent. of total American fur imports. In 1918-1921, it averaged more than ten per cent. In 1922, it reached 20%, and China for the first time became the largest exporter of furs to the United States. (See Table 52.)

Chinese furs are imported either undressed, or dressed, or in the form of manufactures. Before 1917, the quantity of dressed furs and manufactures was much greater than that of undressed furs. But since 1918 the import of undressed fur has increased a hundred times the value of ten years ago, while that of fur manufactures increased only ten times, and dressed furs has really decreased. This difference in the rates of increase is mainly due to the heavy import duty levied on the dressed furs and fur manufactures, while all undressed furs are imported free. Chinese fur trade with the United States has a really brilliant future. As the American people are now becoming more wealthy, their demand for such a luxury as fur goes up correspondingly. With her tremendous production of fur-bearing animals, China is able to supply the American tanneries and furriers with many kinds of raw furs.

## EGGS AND EGG PRODUCTS

Although from time immemorial poultry eggs have been an important article in the everyday diet of the Chinese and were thus extensively produced in China, they did not enter into the foreign trade of China until twelve years ago. But within the last ten years the egg trade has rapidly come to assume a position of importance, and Chinese exports of eggs and egg products now amount to ten or twenty million dollars a year. The great part of China's export goes to the United States, while nearly nine-tenths of American imports of these articles come from China. The accompanying table shows the recent phenomenal growth of this line of trade between the two countries. In 1912, the value of the trade hardly exceeded ten thousand dollars, but it increased to nearly thirteen million dollars in 1919, and eleven million dollars in 1920. In 1921-22, the trade suffered a strong setback as effected by the business depression in America; yet the annual value still stood at four to five million dollars a year.

Eggs are exported from China usually in their preserved condition. They are preserved by the Chinese by a coating of clay and salt, or of lime and will keep for several years without any deterioration of taste or substance.<sup>1</sup> They are exported also in a prepared form of yolk and albumen. Yolk is used for making biscuits and other cakes, whereas albumen is an ingredient for candy manufacture.<sup>2</sup> Since Chinese eggs and their products can be bought at a substantially lower price, they are extensively used by the American bakeries and candy factories.

Before 1919, when American imports of Chinese egg products had not as yet assumed very large dimensions,

<sup>1</sup>For a fuller account on Chinese egg industry, see U. S. Bur. of For. & Dom. Com., Misc. Series, No. 84, *Commercial Hand of China*, by Julian Arnold, Vol. II, pp. 270-271.

<sup>2</sup>A Chinese Egg Plant, *China Review*, New York, Jan. 1923, p. 14.



their importation was not restricted by the United States. But since that year, American egg producers have become well aware of the competition of China's frozen and powdered egg industry; and on the Pacific coast laws are constantly sought to shut out these products.<sup>1</sup> Formerly, the Chinese producer of dried egg powder usually used zinc as container. It is, therefore, regarded by the United States Health Department that Chinese egg products are poisonous, because they contain zinc substance. This Department, in demanding that the percentage of zinc to be found in those products should not exceed one-tenth of one per cent., has applied a very strict regulation to the Chinese imports,<sup>2</sup> a barrier which caused the Chinese exports to this country to fall off since 1920, and for which Chinese merchants have suffered severe losses.<sup>3</sup> Owing to the method of manufacture, it is impossible to guarantee so low a percentage of zinc, the yolk being poured on zinc trays during the process of preparation. Other methods have been tried, porcelain has been used, but for some reason the product is not of the same quality as under the old system.<sup>4</sup> According to an American investigator in China, there is little to fear regarding the sanitary effect of Chinese egg products.<sup>5</sup>

Not only have such severe restrictive regulations worked to check the expansion of Chinese egg exports to the United States, but the recently revised American import tariff has also put a second barrier upon the trade. "The American market for frozen and dried eggs from China," thus commented the Trade Report of the Chinese Maritime Customs, "has suffered much from the increased duty levied by the raised import tariff which came into force in the United

<sup>1</sup>*Ibid.*

<sup>2</sup>*The Far Eastern Review*, Feb. 1919, p. 91.

<sup>3</sup>A Chinese Egg Plant, *Ibid.*

<sup>4</sup>*Ibid.*

<sup>5</sup>A description of an American-owned Egg Factory in Shanghai, by F. H. K. Reis of the U. S. Consular Service, *China Review*, Jan. 1923, p. 14.

States on the 22nd September, 1922.<sup>1</sup> Heavy shipments of these products were made from China during the early part of the year, but practically all exports ceased in August of that year."<sup>2</sup> The future prospect of the egg trade, therefore, cannot be very bright until these restrictive measures are repealed by the American government.

TABLE 53  
AMERICAN IMPORTS OF EGGS AND EGG PRODUCTS FROM CHINA

Year	Eggs of Poultry		Egg Yolk, dried, frozen, etc.		Egg Albumen <sup>1</sup>		Total Value, \$1,000
	Qty. in 1,000 lbs.	Value in \$1,000	Qty. in 1,000 doz.	Value in \$1,000	Qty. in 1,000 lbs.	Value in \$1,000	
1911-13 ..	111	11	250	16			27
1914-15 ..	1,966	229	3,718	290			519
1916-17 ..	393	61	6,482	1,119	"	"	1,180
1918 .....	490	105	6,736	2,455	1,353	469	3,029
1919 .....	475	117	22,168	6,944	7,557	5,603	12,664
1920 .....	847	228	25,647	6,093	8,526	4,453	10,774
1921 .....	1,132	246	15,326	2,300	4,498	1,119	3,665
1922 .....	383	61	17,566	3,099	6,441	1,995	5,055

<sup>1</sup>The following table, extracted from the United States Acts of 1909, 1913, and 1922, shows the great increase of import duties on eggs and egg products in 1922 as compared with those in 1909 and 1913.

Item	Year	1909	1913	1922
Albumen, dried .....		3c @ lb.	3c @ lb.	18c @ lb.
Albumen, frozen or otherwise prepared .....		3c @ lb.	1c @ lb.	6c @ lb.
Yolk, dried .....		25%	10%	18c @ lb.
Yolk, frozen or otherwise prepared .....		25%	10%	6c @ lb.
Eggs of poultry in the shell..		5c @ doz.	Free	8c @ doz.

The change from an ad valorem, to a specific, duty usually signifies a great increase in the actual rate in the tradition of American tariff history.

<sup>2</sup>The Chinese Maritime Customs: Foreign Trade of China, 1922, Pt. I, p. 24.

<sup>3</sup>Not separately reported before 1917.



### PART III

#### Some Important American Exports to China



## CHAPTER X.

### COTTON GOODS

#### *China as a Market for Cotton Goods*

Since the middle of the nineteenth century, cotton manufactures have constituted by far the largest single item in the import trade of China and she is considered the second largest market for the world's cotton piece goods, ranking next to India.<sup>1</sup> For the past half century these goods constituted about one-third of her total imports. They have increased in value at a pace nearly as rapid as that of the rapidly expanding total imports. Their total import value for the year 1880 was only 32 million dollars. In 1900 it was 51 millions, and in 1920, 306 millions. For the decade before the war it averaged more than one hundred million dollars a year, and since that time the sum has nearly doubled. From these figures, one may draw the obvious conclusion that the Chinese market for cotton goods offers at the present time a broad field latent with great possibilities.

The development of China's enormous natural resources, the building of railways which will provide better transportation facilities in the interior, and the economic and social progress of the people, will unquestionably lead to a further steady growth in consumption and will no doubt greatly stimulate the importation of many kinds of foreign cotton manufactures which are not adequately supplied by China's own mills.

#### *Early Prosperity of American Cotton Piece Goods Trade With China—British Competition*

In China's excellent cotton goods market the United States shared a very considerable part as soon as her cotton

<sup>1</sup>United States Bureau of Foreign and Domestic Commerce, Special Agents Series No. 107. *Cotton Goods in China*, Letter of Submittal, p. 5.



industry was established. As early as the thirties of the nineteenth century, American piece goods constituted a substantial part of American domestic exports to China;<sup>1</sup> and in the fifties, they became by far the most important item. During the four years 1850 to 1853, piece goods alone made up almost nine-tenths of the total American domestic exports to China,<sup>2</sup> while China became by far the best customer for American piece goods, taking more than one-third of America's total piece goods exports.<sup>2</sup> From these percentages one can easily realize how prosperous was the early trade in cotton manufactures between these countries, and how important was the rôle played by this single article.

But partly due to the destruction during the Civil War of the American merchant marine, which was necessary for carrying the bulky cloths, and partly to the keen competition of Great Britain and India, America lost a very large part of her cotton goods trade with the Orient after 1860. Even though the United States was able to recover some of her lost share during the seventies, American cotton goods have never regained their old high position either in the export list of the United States or in the import list of China. Their absolute value and quantity had sometimes been bigger than those in the fifties, but never their comparative shares.

<sup>1</sup> See tables in Pitkin's *Statistical View of the Commerce of the United States*; also cf. Chapter I, p. 18, *supra*.

Year	Total U. S. Dom. Exports to China	Total U. S. Piece Goods Exports	U. S. Piece Goods Export to China	% in Total Am. Exp. to China	% in Total Am. Cotton Goods Exp.
1850 .....	\$1,486,000	\$3,774,000	\$1,203,000	81	32
1851 .....	2,156,000	5,572,000	1,894,000	88	34
1852 .....	2,480,066	6,139,000	2,202,000	89	36
1853 .....	3,213,000	6,926,000	2,801,000	87	40

Of course, the shrinkage of their comparative shares was also due to the increase or addition of other American exports to China and the huge expansion in the total American cotton goods exports to South America and Europe. But the main reason of this relative decline seems to be that since the very beginning of international competition in the Chinese cotton goods market, the United States has suffered the handicap of a higher manufacturing cost and a resulting higher selling price of her cloth. Price appeal has long been extremely important in China because the income of the majority of Chinese people is usually low. In order to meet this situation England has to a very great extent adopted the practice of adulteration by adding clay and other foreign matter to the cloth.<sup>1</sup> As American manufacturers resisted such temptation and "made honest cloth entirely of cotton," their price must needs be higher, and sometimes, considerably higher, than that of British make,<sup>2</sup> "Although the Chinese have never refused to acknowledge the superiority of the American cottons, as is shown by the higher prices they have always paid for the standard drills and sheetings than for any other goods, the cheap adulterated English goods supply a want in point of low cost which the Chinese cannot overlook and which the Americans will have to combat."<sup>3</sup> Of the Chinese imports of cotton goods in the eighties, therefore, six-sevenths came from Great Britain, and less than one-twelfth from the United States.

One may get an idea of the severe handicap under which this country was and still is placed by reading another typical report from an American consul in China:

<sup>1</sup> *United States Commercial Relations*, 1878, p. 212, Report of the American Consul at Shanghai.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*, p. 213.



"There are several large American houses engaged in trade here, but, strange to say, most of the goods sold are purchased from London instead of from American cities. Various explanations are given for this, but the most convincing is that goods can be laid down here at less cost from London than from cities in the United States. Trade is rarely governed by patriotic principles; profit is its guiding star."<sup>1</sup>

Among the minor reasons which accounted for victory of the British over the Americans in their early competition for China's cotton goods trade, the consul enumerated: (1) American merchants did not exercise that care and judgment in packing goods shipped to foreign countries that the English did, and (2) America had not sufficient banking facilities in China to finance the import and practically no merchant marine at her own service, while the banking houses and steamship companies in China were largely under English control.<sup>2</sup>

In spite of such handicaps, American cotton piece goods during the closing years of the last, and the opening years of the present, century still occupied a very respectable position in the American trade with China. As shown in Table 53 both the quantity and value of American cotton cloths exported to China increased about one hundred per cent every five years during the fifteen years 1891-1905, and throughout this period the total value of these cloths constituted nearly sixty per cent. of the total American exports to China. (Table 54, last column.) Of the total cotton piece goods imports of China those from America took a share of twenty-seven per cent. in 1902 and as high as thirty-six per cent. in 1905. (Table 55.)

Most of the cotton fabrics sent to China from this country were plain fabrics, such as sheeting, shirting, jean, duck,

<sup>1</sup>United States House Miscellaneous Documents, No. 268, 51st Congress, 1st Session. *Special Consular Reports*, Vol I, 1890, p. 131, Report of Consul J. T. Campbell of Foochow.

<sup>2</sup>*Ibid.*

together with a very few dyed cottons. Practically all the dyed cottons came to China from England, and in this line the United States has never been able to challenge British supremacy in the Chinese market.

The reason that American cotton piece goods trade with China became very prosperous during the years before 1905 is not difficult to see. Other than England there was at that time practically no one country that could offer any strong competition to the American cotton manufacturer. Although Japan had been exporting plain cotton fabrics to China for some years, her share as compared with that of the United States was still negligible, because her cotton industry was not as yet well developed. In China itself cotton manufacture was then only a "novelty industry." The first cotton mill in China was established in 1891, and in the next twelve years the number had increased to only twelve. As an infant industry these few mills were utterly unable to provide the Chinese consumer with an adequate supply of cotton cloths. On the other hand, the demand of the Chinese people for these cloths became more and more intense year after year as evidenced by the rapid increase of their total imports. This being the situation in the market, the American cotton manufacturer was therefore much benefited.

The American cotton piece goods trade with China reached its zenith in 1905 and 1906, when the quantity attained five hundred million yards and its value nearly thirty million dollars, being almost as great as the share of Great Britain. But these are two rather exceptional years resulting from the war demand in Manchuria.



TABLE 54

QUANTITY AND VALUE OF AMERICAN COTTON CLOTH EXPORTS  
TO CHINA,<sup>1</sup> 1891-1922

Year		Quantity, 1,000 Yds.	Value, \$1,000	Value of Total Am. Exports to China, \$1,000	% of Cotton Goods Value to Total
Five-Year Average	1891-95 .....	52,182	3,082	5,546	56.0
	1896-1900 ..	146,389	7,019	11,718	60.0
	1901-05 ....	249,731	13,295	24,069	55.0
	1906-10 ....	123,976	10,358	25,513	41.0
Three-Year Average	1911-15 ....	75,164	5,126	20,938	25.0
	1916-18 ....	7,308	728	45,548	1.6
	1919 .....	39,216	6,410	118,275	5.4
	1920 .....	28,624	7,701	152,876	5.1
	1921 .....	24,560	2,282	113,605	2.0
	1922 .....	15,884	1,940	106,074	1.8

Data compiled from *United States Commerce and Navigation*.

TABLE 55

DISTRIBUTION OF THE VALUE OF CHINA'S  
IMPORTS OF COTTON PIECE GOODS BEFORE THE WAR<sup>2</sup>

Year	Great Britain	Hongkong	Japan	Russia	United States
1902 .....	55.3%	8.1%	2.7%	....	26.8%
1905 .....	49.2	7.3	2.5	....	35.5
1907 .....	72.2	11.7	4.7	....	5.7
1909 .....	54.7	12.8	8.3	1.7%	18.1
1911 .....	61.3	10.5	13.8	1.4	9.5
1913 .....	53.3	10.1	20.2	3.3	7.9

<sup>1</sup>Including Chinese leased territories.<sup>2</sup>Data re-copied from United States Bureau of Foreign and Domestic Commerce, Special Agent, No. 107, *Cotton Goods in China*, p. 33.*Recent Decline of the Trade*

Since 1906 American cotton manufacturers have been losing their ground in China rapidly and American piece goods shipments to China have steadily declined. As clearly indicated in Table 54, the quantity of the trade dwindled from an annual average of 250 million yards of cloths in the five-year period, 1901-05, to 124 million yards in 1906-10, then again to 75 million yards in 1911-15, and finally to 7 million yards in the three-year war period of 1916-18. The value of the trade showed an equally striking downward movement, dropping from an annual average of more than 13 million dollars in the period of 1901-05, to 10 million dollars during 1906-10, and again to 5 million dollars during 1911-15, and finally to less than three-quarters of a million dollars during 1916-18. The share taken by these goods in the American-Chinese trade presented the same waning trend. During the first five years of the present century they constituted fifty-five per cent of the total American exports to China, but during the second five years they dropped to forty-one per cent and then to only twenty-five per cent during the third, and to only three per cent during the three years 1916-18. Since 1919 the trade has recovered a little both in quantity and in value, yet is still far below that of a few years ago. In 1921 the value of American cloth constituted only a little more than two per cent. of the total value of American exports to China, although it amounted to something more than two million dollars. On the other hand, we notice that American cotton piece goods were also losing their share in the total piece goods imports of China. As indicated in Tables 55 and 56, the share of America before 1905, if allowance is made for transshipment through Hongkong, was between two-fifths and one-third of the total Chinese imports. But after that time it suddenly dropped to around ten per cent and since the outbreak of the European War, it has constituted barely five per cent. (Table 56.)



TABLE 56  
IMPORTATION OF COTTON PIECE GOODS INTO CHINA  
UNIT 1,000 PIECES, INCLUDING  
SHIRTINGS, SHEETINGS, DRILLS, JEANS AND T-CLOTH.

Year	U. S. A.		Great Britain		Japan		Other		Total, 1,000 Pieces
	Pieces 1,000	%	1,000 Pieces	%	1,000 Pieces	%	1,000 Pieces	%	
*1911 .....	1,988	12.3	11,318	70.0	2,833	17.5	22	0.2	16,160
*1913 .....	2,281	11.5	11,705	58.0	5,917	30.0	92	0.5	19,795
1914 .....	1,040	5.4	10,473	54.0	7,728	40.0	118	0.6	19,359
1915 .....	638	4.5	7,591	53.6	5,717	40.5	202	1.4	14,148
1916 .....	413	3.5	5,455	46.2	5,589	47.3	347	3.0	11,803
1917 .....	72	.5	4,397	33.4	8,046	61.0	650	5.0	13,164
1918 .....	101	1.0	2,634	25.3	7,007	67.2	679	6.5	10,421
1919 .....	622	4.5	4,592	32.5	8,899	63.0	...	...	14,116
1920 .....	564	4.3	5,784	43.0	7,035	52.3	55	0.4	13,438
1921 .....	626	6.0	3,489	33.6	5,816	56.0	449	4.4	10,380
1922 .....	381	3.0	4,961	40.0	6,497	52.3	586	4.7	12,425

\*The difference in the percentages of these two years as shown in this table from those shown in Table 55 is due to the following reasons: (1) The figures in this table were compiled by the Chinese Customs according to the kinds of cloth, while those in the preceding table, according to the port of origin. Thus American cloths, for instance, may be shipped through Canada or Japan. In the former table, they are not credited to the United States, while in this one they are still regarded as American. (2) Table 55 is a distribution of value, while this table is one of quantity. (3) Hongkong, as a trans-shipping port, is eliminated in this table. Therefore in showing the distribution of China's importation of certain kinds of cotton cloths, this table is much more accurate than the other.

This serious loss of American trade has been primarily due to the new competition of Japanese, and more recently, that of Chinese cotton mills, which had the advantage of the use of the cheaper raw material of China and India and in the lower cost of production.<sup>1</sup>

(a) *Japanese Competition.* Let us first take up the Japanese competition and its effects upon American cotton goods exports to China. In the prosperous years of American trade, cotton piece goods of American manufacture exported to China were sold largely in Manchuria. After the Russo-Japanese War Japan had secured a permanent interest and special privileges in that area. Various industries, including cotton spinning and weaving, were soon developed both in Japan and in her leased Manchurian territory. Because raw material, which comes either from British India or from southern and central China, was easily obtainable, and also because labor is cheap in Manchuria, Japan was soon able to manufacture cotton cloths at a much lower price than that of either American or European origin. Taking advantage of the effectiveness of price appeal in the Chinese market the Japanese merchants pushed their sales very strenuously and were soon able to develop a huge market for their cottons, first in Manchuria and later throughout China. Not only did the United States suffer a great deal from this onslaught of Japan, but also Great Britain and some other European countries which had some dealings with China in this article.

The United States now suffered from Japanese competition in the same way that she did from British rivalry in the later decades of the last century, because the price for American goods was usually considerably higher than that for Japanese products. A comparison of these high and low prices, as shown in the accompanying table, should

<sup>1</sup>The subject of Japanese competition in China and especially in Manchuria is dealt with in "Cotton Goods in Japan and their Competition in the Manchurian Market", United States Bureau of Foreign and Domestic Commerce, Special Agents Series No. 86.



TABLE 57

COMPARATIVE PRICE PER PIECE OF COTTON CLOTH.<sup>1</sup>  
FEBRUARY, 1914.

	Japanese	American
Grey Sheetting .....	\$2.71	\$3.29
Grey Drill .....	2.89	3.34
Grey Shirting .....	3.09	3.59
Grey Jeans .....	2.19	2.39
White Shirting .....	3.49	3.98

furnish a sufficient reason for the steady decline of American trade and the rapid expansion of that of Japan. American prices were as a rule twelve per cent higher than the Japanese. For a staple like cotton cloth such a difference is much more than the profit the cloth dealer could expect to earn. According to an American special agent investigating this matter in 1914, the manager of a certain firm in China made the statement that he handled some American goods only occasionally for the purpose of obliging his customers who wanted some of the better-made American goods, together with the much larger quantities of Japanese goods handled as regular lines.<sup>2</sup> Many formerly well known brands of American sheetings and drills were displaced by Japanese goods. The Japanese imitated foreign goods that had a good sale and attempted to bring in a cheaper substitute that resembles as closely as practicable the original article.<sup>3</sup>

The competitive condition described as prevailing before the war still holds good today. The competition has affected the trade of the United States more than that of any other country because American cotton goods trade has been largely confined to coarse sheetings and drills, lines to which

<sup>1</sup> *Cotton Goods in China*, *op. cit.*, p. 255. These prices are prices for goods landed in Dairen before duty was paid.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*, p. 259.

the Japanese mills have given particular attention and in which they have been most successful because the cost of the raw material is an important factor in the total cost of the goods.

The result of this competition is plainly shown by the figures in Tables 54 and 55. The steady decline of both the quantity and value of American exports to China after 1906 (Table 54) would certainly cause the American cotton manufacturers and exporters serious concern. As regards the distributive shares of China's imports during the decade before the war, Great Britain was not affected by Japanese competition, because her exports to China consisted mainly of the finer kinds of fabrics which Japan had not been able to imitate successfully. The share of the United States, on the other hand, had declined from 26.3 per cent. in 1902 (see Table 55) to 7.9 in 1913, a loss of about 19 per cent., which was almost entirely gained by Japan, whose share increased from 2.7 per cent. in 1902 to 20.2 per cent. in 1913.

After the outbreak of the European War, ocean freight rates were suddenly raised to a prohibitive scale. This added another drawback to the American cloth trade with China because, being a cheap staple, the article could not pay the high transportation rates for such a long distance. Nearly all American cloth trade stopped during the three years 1916-18, and it was Japan that again took full advantage of this opportunity. During the years of active warfare, Japan had supplied more than two-thirds of the piece goods imports of China, while the United States furnished only one per cent. Since the recovery of peace Japan has supplied China with more than half of the latter's total cloth imports, while the United States, though having recovered some of her share lost during the war, has held a humble share of less than five per cent.

(b) *Chinese Competition.* It must not, however, be understood that Japanese competition is the sole cause of the decline of the American trade. This was generally true ten years ago, but now the market situation has greatly changed.



In fact, Japan herself has for some years suffered from a new competition which has sprung up in China itself.

Cotton manufacturing with the use of hand looms is of very ancient origin in China and the industry is today still flourishing. According to the estimate of an American special investigator, the production of the hand looms exceeds in value and quantity the imported piece goods.<sup>1</sup> The cloth woven on these looms is extremely popular among the Chinese. Although that sold in the market is sometimes as expensive as similar foreign goods, it must be remembered that a large proportion of it is made in the homes of the people during their unemployed seasons for their own use. An additional factor in the continuance of hand loom weaving is a spirit akin to patriotism, through which the natives are urged to buy cloth that is made in their own country.

With the recent development of the hand loom industry, China has been rendered to a considerable degree independent of foreign piece goods. Whenever the price of the latter rises, as during the war, there was an increase of hand loom weaving throughout the country to supply the demands of the people. Under such conditions it is utterly impossible for the high priced American cloth to compete with the Chinese home-made cloth.

The hand-loom industry in China is not the only one to offer serious competition to foreign cloth. The machine cotton industry in China, though of comparatively recent development, is now progressing with phenomenal rapidity. The introduction of the modern method of cotton spinning into China is said to date back only to 1890.<sup>2</sup> But during the following thirty years there has been a rapid expansion in this branch of industry. The following table shows the

<sup>1</sup>R. M. Odell: *Cotton Goods in China*; United States Bureau of Foreign and Domestic Commerce, Special Agents Series No. 107, p. 185.

<sup>2</sup>*Bulletin of the Canadian Department of Trade and Commerce*, October 3, 1921. Report of J. W. Ross.

gradual increase in the number of cotton mills in China within the past three decades.<sup>1</sup> In addition to the above, there are twenty-eight mills with 918,000 spindles in the process of erection.<sup>1</sup>

TABLE 58  
NUMBER OF COTTON MILLS IN CHINA.

Year	Number of Mills	Number of Spindles
1891 .....	2	65,000
1896 .....	12	417,000
1902 .....	17	565,000
1911 .....	32	831,000
1916 .....	41	1,145,000
1918 .....	49	1,200,000
1921 .....	63	1,747,000

At first the mills confined themselves mainly to the manufacture of yarn, and the installation of looms was not undertaken very extensively until 1907 and 1908 following the large trade in piece goods during and immediately following the Russo-Japanese War in 1905 and 1906.<sup>2</sup> At present many mills have added power looms to their equipment and have undertaken the manufacture of sheetings and drills.

The principal factors that have contributed to the establishment and growth of the Chinese cotton goods industry are: (1) a supply of native grown cottons of sufficiently good quality for spinning and weaving coarser cloths; (2) an enormous domestic demand for the production of the mills; and (3) abundance of very cheap labor, which makes the cost of production lower than in any other part of the world. With these marked advantages, the Chinese domestic cloth can easily outrival the American and even the

<sup>1</sup>*The Eastern Commerce*, Tokio, November, 1921, Vol. VII, No. 1, p. 32.

<sup>2</sup>R. M. Odell, *op. cit.*, p. 157.



Japanese products. It is the consensus of opinion among those who are engaged in the industry that the time will come in the near future when China will manufacture within her own borders the greater part of the coarser cloth consumed by her vast population.<sup>1</sup> American manufacturers, therefore, can never hope to meet this competition successfully and regain the trade which they once held.

*Future Prospects of American Piece Goods Trade with China*

Although it is our conclusion that American trade with China in such coarse goods as sheetings and drills is destined to fall off, it does not follow that the United States will forever keep her hands off the Chinese cotton goods market. There are numerous other lines which are not made either by Japanese or Chinese mills but which are consumed in large quantities by the vast population of China. They are, for example, muslins, cambrics, chintzes, sateens, venetians, velveteens, and other fancy and dyed cottons. Before the war these goods were supplied almost exclusively by England, and since 1915 Japan has shared some part of the trade. At present by far the greater part of the trade in these finer cottons is still in the hands of British merchants. The field in China is a wide one, latent with possibilities, and it is believed that the mills in the United States can furnish many of these cottons on a competitive basis. In a large-scale machine industry in which America's advantage lies, coupled with the advantage of a vast supply of domestic cotton, there is no reason why the American cotton manufacturer should be unable to produce these finer piece goods at as low, or even lower, cost than can his English competitor. Persistent efforts on their part to produce the kinds of goods in demand, backed by a serious determination to cultivate the market on permanent lines, will unquestionably result in a considerable expansion in American

<sup>1</sup> R. M. Odell, *op. cit.*, p. 184.

cotton goods exports to China and enable the Americans, to some extent at least, to regain the important place that they once held in Chinese trade.

*Raw Cotton*

Although the United States has suffered a great deal through losing her cloth trade with China, she has, on the other hand, gained a great deal in selling China her raw cotton. In 1921, the value of American cotton sent directly to China amounted to ten million dollars. As the rapid growth of the Chinese cotton industry will greatly expand China's capacity for cotton consumption, it is worth our while to investigate the Chinese market for American raw cotton.

With her boundless area of fertile lands and unlimited amount of cheap labor, China is herself one of the greatest cotton growers in the world, second only to the United States and British India. Though it is impossible to arrive at any accurate estimate of her total cotton production, rough estimates put the yield at 1,000,000 to 5,000,000 bales of 500 pounds,<sup>1</sup> although 2,000,000 to 2,500,000 bales seem to be the more reasonable figures.<sup>2</sup> The annual consumption of all kinds of cotton in Chinese mills, which have today approximately 2,000,000 spindles,<sup>3</sup> is estimated to be about 1,000,000 bales,<sup>4</sup> and that of hand-loom about 1,400,000 bales.<sup>5</sup> These estimates show that China is, on the whole, a self-sufficing country so far as raw cotton is concerned.

In fact, Chinese cotton mills do depend very largely, if

<sup>1</sup> *Cotton Goods in China, op. cit.*, p. 199.

<sup>2</sup> *Ibid.*

<sup>3</sup> Cotton Mill Statistics of China, *the Eastern Commerce*, Tokio, Vol. VIII, No. 6, April, 1923, p. 16.

<sup>4</sup> In 1915, Mr. R. M. Odell, author of the *Cotton Goods in China*, stated that the annual consumption of cotton in Chinese mills having approximately 1,000,000 spindles was about 533,000 bales. *Ibid.*, p. 199.

<sup>5</sup> *Ibid.*



not entirely, on domestic cotton for their supply of raw material. Nevertheless, the use of foreign cotton in proportion to native cotton is increasing. Moreover, poor local crops, low prices abroad, or favorable rates of exchange, have also resulted in large importation of foreign cotton at certain periods. Sometimes a demand for better grades for spinning fine numbers of yarn also necessitates the purchasing of foreign cotton, especially American, because Chinese cotton is of much shorter staple and unfit for finer manufacture. Of late, especially since 1920, owing to the sudden and enormous expansion of the cotton spinning and weaving industry in China, the import of raw cotton has increased steadily, as shown in Table 59 which is compiled by the Chinese Cotton Mill Owners' Association.<sup>1</sup>

TABLE 59  
COTTON CONSUMED BY CHINESE COTTON MILLS

Kinds of Cotton	Bales of 500 Pounds		
	Fiscal Year Ending June 30 1921	Fiscal Year Ending June 30 1922	Half Year Ending January 31, 1923
Chinese .....	728,292	744,076	492,162
American .....	29,122	154,926	58,115
East Indian .....	119,029	298,365	135,330
Egyptian and Sundries .....	649	1,213	4,019
Total .....	877,092	1,199,115	689,626

In 1920, 90 million pounds of cotton (or 180,000 bales of 500 pounds) were imported into China; in 1921, 224 million pounds; and in 1922, 237 million pounds (or 475,000 bales). The imports of the last two years practically supplied half of the total estimated consumption of all the Chinese cotton mills.

Table 60 shows the quantity and sources of the imports

<sup>1</sup> Re-quoted by *the Eastern Commerce*, Tokio, Vol. VIII, No. 6, April, 1923, p. 16.

TABLE 60  
CHINA'S IMPORTS OF RAW COTTON FROM THE FOLLOWING COUNTRIES

Year	U. S. A.		Japan		Great Britain		Hongkong		British India		Total Import of raw Cotton into China
	Quan., 1,000 Lbs.	% of the Total	Quan., 1,000 Lbs.	% of the Total	Quan., 1,000 Lbs.	% of the Total	Quan., 1,000 Lbs.	% of the Total	Quan., 1,000 Lbs.	% of the Total	
4-Year Average...1902-05	1,201	7.3	135	0.8	1,090	6.6	4,549	27.5	8,304	50.2	16,538
5-Year Average...1906-10	3	...	697	4.2	55	0.3	2,591	15.5	12,560	75.0	16,737
1911-13	7,731	36.7	1,590	7.6	248	1.1	2,142	10.2	8,545	40.5	21,054
1914-16	6,009	14.8	4,121	10.1	...	...	2,659	6.5	27,411	67.4	40,718
3-Year Average...1917-19	3,714	11.1	16,975	50.8	...	...	2,266	6.8	8,859	26.6	33,997
1920	4,539	4.9	21,592	23.4	...	...	3,003	3.3	55,848	60.8	91,777
1921	68,865	30.5	18,896	8.4	...	...	4,060	1.8	130,785	58.0	225,295
1922	20,704	8.1	40,376	16.3	...	...	2,528	1.0	182,864	74.0	247,657



of raw cotton into China in the last twenty years according to Chinese statistics.

Although, according to Tables 59 and 60, there are several countries from which China imports her cotton, the real sources of supply for the Chinese market are only British India and the United States and, to a much smaller extent, Japan. The imports credited to Hongkong refer mainly to American and Indian cotton while the imports from Great Britain were largely, and those from Japan, partly, American.<sup>1</sup> The amount credited to the United States in the above table is, therefore, more or less below the actual quantity imported therefrom. The direct export of raw cotton from the United States to China in the years 1901-1922, are shown in Table 61.

TABLE 61  
AMERICAN DIRECT EXPORTS OF RAW COTTON TO CHINA

Year	Quantity in 1,000 Lbs.	Value in \$1,000	Year	Quantity in 1,000 Lbs.	Value in \$1,000
1901 .....	....	....	1911 .....	53	8
1902 .....	3,055	291	1912 .....	25,298	2,591
1903 .....	1,307	123	1913 .....	3,635	464
1904 .....	....	....	1914 .....	4,490	588
1905 .....	2,120	176	1915 .....	7,617	734
1906 .....	350	40	1916 .....	6,179	729
1907 .....	145	16	1917 .....	2,403	403
1908 .....	....	....	1918 .....	1,958	558
1909 .....	221	22	1919 .....	5,814	1,786
1910 .....	....	....	1920 .....	5,690	2,092
			1921 .....	77,285	10,051
			1922 .....	18,601	3,595

Besides these direct exports, there remains a certain portion of American exports to Japan and a very large part of those to Hongkong, which go indirectly to China, but are not included here.

<sup>1</sup> *Cotton Goods in China, op. cit.*, p. 194.

We notice in Table 60 that whereas in certain periods the United States supplied a considerable part of China's cotton imports, the greater part of the trade still remains in the hands of British India. Indian cotton is usually cheaper in price and suitable for the manufacture of coarser yarn in Chinese cotton mills. American raw cotton, though of a better quality, sells at a high price in the Orient because it has to bear the freight and rail charge for a much longer distance than the Indian cotton.

From Table 61 we can see clearly the relation that exists between the price of American cotton and American cotton exports to China. When the American cotton supply is normal and its price is higher than that of Indian cotton, exports to China are usually small, or decline to nothing. But when American cotton becomes plentiful and its price falls, huge exports are at once on their way to China. Thus in 1912 China made fairly large purchases of American cotton, because of its low price,<sup>1</sup> and in 1921 when the price of cotton was at its trough in the United States, more than 77 million pounds of this fibre were sent to China. China, therefore, cannot be a regular customer for American cotton growers, but serves as a vent for their surplus cotton in a bumper year or at a time of industrial depression.

The annual exports of American cotton to China have amounted to several million dollars in the last few years. Yet, it is unlikely that China will be a good market for American cotton in the future. The present production of fine yarns is comparatively insignificant in that country and is not increasing very rapidly. Although, in the near future,

<sup>1</sup>R. M. Odell: *Cotton Goods in China*, p. 194. Mr. Odell computed that in 1912, American cotton was 12.48 cents per pound in the Orient and Indian cotton 11.77 cents per pound. As the cost of cotton from America was only slightly above that from India, the Chinese mills found it profitable to import more of the former.



the Chinese cotton industry may reach a stage of improvement where it would be able to produce much fine yarn, and therefore require much cotton of better grade, better methods of cultivation and the efforts of the Chinese cotton growers of the various agricultural colleges and experimental cotton plantations will doubtless result in an improvement in the quality of domestic production to meet the greater part of the home demand.

## CHAPTER XI.

## MINERAL OILS

*China as a Market for Mineral Oils*

It has long been reported by not a few expert geologists that China is in possession of many rich mineral oil deposits. The exploitation of these resources, however, has not as yet been successful. Several experiments have been made in recent years, first by the Standard Oil Company of New York and later by a Japanese firm to produce oil from wells located in some northern provinces in China, but the attempts turned out unsatisfactory.<sup>1</sup> Today, as in former times, China still has to depend solely upon some foreign oil producing countries, especially the United States and The Dutch East Indies, for oils to light up the millions of her city and country homes.

Some fifty or more years ago, mineral oil was not an article of general commerce in China, the import in 1867 amounting to only some thirty thousand gallons of kerosene oil for the foreign community in that country.<sup>2</sup> Beginning with 1870, however, kerosene was rapidly accepted for general use among the Chinese, but not until the end of the last century was it carried far into the interior of the country by the great distributing organizations of some foreign corporations.<sup>3</sup>

The Standard Oil Company of New York, the Texas Oil Company, both of American ownership, and the Asiatic Petroleum Company, of Dutch ownership, now operate their business in China on a large scale, particularly the first and the third, which have many installations in various parts

<sup>1</sup>See Chapter 16, *infra*.

<sup>2</sup>H. B. Morse: *The Trade and Administration of China*, p. 317.

<sup>3</sup>C. F. Remer: *The Foreign Trade of China* (an unpublished dissertation in Harvard University, 1922), Chapter 4, on Kerosene Oil.



of the country. No imported article, with a possible exception of cotton cloth, has gained such ground among the masses in China as kerosene. It has found its way into every hamlet far removed from treaty ports and is used by people who may have perhaps never used any other foreign goods. The following figures clearly indicate how during the past half century the Chinese have grown accustomed to the use of kerosene by habit. In 1870 the total importation was just over 280,000 gallons. It increased to 84 million gallons in 1900, and by 1914 it was 225,464,000 gallons, an increase of 80,500 per cent. during a period of thirty-five years.

Since 1914, the import of kerosene oil has suffered a setback in quantity, although its value has increased enormously. Two reasons account for this. In the first place, electrical lighting as a successful competitor of oil lighting has gradually come into general use in China during the last ten years. Secondly, the rising price of illuminating oil during and after the European War has done more than anything else to check the normal expansion of China's oil consumption. It is due to this excessively high price that the Chinese have felt it more economical to install electrical lighting plants not only in cities, but even in many small towns. This substitution of electricity for kerosene will ultimately act as a check on the further expansion of the oil trade, but such a time still lies in the remote future. With such a vast area and so big a population as that of China, the oil trade as it amounts today may be said to have touched China only upon her fringe. There are still numerous places in the internal provinces in which only animal fat and vegetable oils are, as centuries before, used for lighting purposes. No imported mineral oil has as yet reached them because of the poor transportation facilities and the prohibitive rate of freight for long distance. As soon as China's internal transportation facilities are improved, new markets will be found for oil, and another headlong increase in its import will be the result.

Another important change in China's oil import trade must be noted, viz. the rapid increase during the last decade of mineral oils other than kerosene. About a decade ago, the latter was practically the sole kind of mineral oil imported into and consumed by China. Although China began to import some twenty years ago some other kinds such as fuel and gas oil, lubricating oil, gasoline and other naphthas, their quantity and value, even combined together, were at first so small as to be quite negligible. Throughout the first decade of the new century, they constituted less than 2 per cent. of the total oil import with more than 98 per cent. of kerosene. Being stimulated by the war, China has been transforming herself from an agricultural into an industrial stage. With the gradual development of her industry, the use of lubricating oil, naphthas and fuel and gas oil is naturally on the rapid increase. While these oils still constituted less than 2 per cent. of the total oil import of China in 1914, they have grown so enormously in a short period of eight years as to constitute 25 per cent. in 1922 with still greater increase in their absolute quantities and values.

A new era has therefore just dawned upon the oil trade in China. Formerly, only oils for immediate consumptive purposes, viz.: for lighting and illumination, were bought by China. But now she is purchasing more and more oils for further productive use, viz., for the use of machine shops. From the condition of the present growth of China's machinery import trade, one can derive an easy conclusion as to what will be the future of the trade of these machine oils.

#### *American Oils in the Chinese Markets*

The reader might feel that the above general description of China as a market for mineral oils is out of place in a work like this which is to be devoted solely to the discussion of that part of Chinese trade as has connection with America. The writer will certainly be relieved from this criticism if he informs the reader that before 1890, every gallon of



oil imported into China came from America, and at present approximately four-fifths of her oil imports are still American. The United States possesses one of the richest petroleum resources of the world and developed the oil industry at a much earlier date than all the other countries possessing oil deposits. So, until the end of the last century, this country actually monopolized the oil trade not only of China but practically of the whole world.

But American oil supremacy in China did not remain long unchallenged. In the later years of the last century, Russia successfully exploited her oil resources in Siberia, and soon became an important oil exporting country. A few years later, the Russian example was followed by the Dutch East Indies, which, with its rich oil fields in the islands of Sumatra and Borneo, has once acquired such a high rank in oil production as second to no country except the United States. Recently Japan has also produced some oil, though comparatively much smaller in quantity. All these countries are China's immediate neighbors. They have the advantage of propinquity to the market over America, and thus succeeded in introducing their oils into China despite the strenuous effort of the American merchants to oust them by competition.

Russian oil was first introduced into China in 1889,<sup>1</sup> Sumatran in 1894,<sup>1</sup> Bornean in 1901,<sup>1</sup> and Japanese only a few years before the European War. Beginning from 1890, China's oil trade was not solely in the hands of Americans, and we must therefore give American trade a separate description in conjunction with other competing oils. Table 62 shows the general condition of American mineral oil trade with China during the last thirty years.

The outstanding feature of the trade as shown here is that despite the keen competition of Russian and Dutch Indian oils, the export of the American product to China has increased steadily in quantity. Of course, the annual figures

<sup>1</sup> H. B. Morse, *op. cit.*, p. 317.

during the same thirty years show many irregular ups and downs; for instance, the extraordinary expansion during and following the years of the Russo-Japanese War from 1905 to 1908, and the unusual contraction during the years of the active European War from 1917 to 1919; but when the temporary annual fluctuations are eliminated by taking averages of five-year periods, the secular trend is regularly upward.

TABLE 62  
AMERICAN MINERAL OILS EXPORTED TO CHINA  
(INCLUDING LEASED TERRITORIES)  
1891-1922

Year		Quantity in 1,000 Gallons	Value in \$1,000
5-Year Average	1891-1895 .....	26,173	1,854
	1896-1900 .....	33,804	2,711
	1901-1905 .....	47,731	4,490
	1906-1910 .....	81,827	6,598
	1911-1915 .....	94,795	6,427
2-Year Average	1916-1918 .....	80,854	5,772
	1919-1920 .....	165,781	19,934
	1921 .....	136,357	19,256
	1922 .....	186,986	21,712

Data compiled from the *U. S. Foreign Commerce and Navigation*.

But this does not mean that Russian and Dutch Indian competition is negligible. In fact, from the end of the last century down to the outbreak of the European War, competition in the Chinese oil market had become so keen as to have constituted the whole history of the Chinese oil trade during that period. When Russian oil was once introduced into the Chinese market, it at once got a large share of the trade. Thus in 1890 24.5 per cent. was Russian, and 76.5 per cent. American, (see Table 63) while only two years before, Russian was nil and American one hundred per cent.



TABLE 63

Year	Total Imports of Kerosene Oil into China		Distribution of China's Oil Import Trade in Percentages <sup>1</sup>									
			U. S. A.		Borneo		Sumatra		Russia		All Other Countries	
	Quantity in 1,000 Gallons	Value in \$1,000	Quan- tity	Value	Quan- tity	Value	Quan- tity	Value	Quan- tity	Value	Quan- tity	Value
1870	281	....	100	100	...	...	...	...	...	...	...	...
1880	3,429	....	100	100	...	...	...	...	...	...	...	...
1890	30,829	5,189	76.5	80	...	...	...	24.5	20	...	...	...
1900	83,580	10,382	41.5	45	...	...	19.4	18	37	...	...	...
1905	153,472	14,810	52.2	56	7.2	5.4	31.6	29.3	8.3	8.4	7	9
1910	161,390	14,360	59.6	53	11.8	13.0	26.5	30.5	1.4	2.9	7	8
1913	183,984	18,544	61.0	56.5	12.8	13.6	22.8	25.3	3.2	4.6	...	...
1914	225,464	23,069	71.2	69.4	10.0	10.1	16.3	17.0	2.3	3.2	2	3
1918	110,202	35,582	43.7	45.3	10.6	9.7	44.0	43.2	...	...	1.8	2.0
1920	189,589	67,355	74.0	74.7	5.1	4.7	19.7	19.3	5	6	6	6
1921	175,220	44,168	76.8	77.0	4.7	4.6	18.4	18.4	...	...	...	...
1922	209,191	52,657	84.0	83.5	2.1	2.1	9.0	9.7	...	...	4.9	4.7

Data compiled from the Chinese Customs Returns.

<sup>1</sup>The distribution is computed according to the kinds of oils, not according to the origins of the imports. This is enabled by the classification by the Chinese Customs of the oils according to whether it is American or Russian, etc. The distribution as here shown is, therefore, much more accurate than that computed according to the importing country, because much oil imported into China is trans-shipped through Singapore, Hongkong, etc.

During the last decade of the past century, not only Russia's share had greatly expanded, but Sumatra had also made a formidable start to compete with the American oil. As a result, American supremacy was once seriously threatened when in 1900 the share for the United States was only 41.5 per cent, while that for Russia was 39.1 per cent. and for Sumatra, 19.4 per cent.

But with her defeat by Japan in 1904-5, Russia lost once for all her commercial, as well as political, stronghold in China, and her newly established petroleum industry at once became impotent to compete on even terms with the strong American and Dutch corporations. Her share dropped from 39.1 per cent. in 1900 to 8.3 per cent. in 1905, and to 1.4 per cent in 1910, and to practically nothing since the outbreak of the European War. (See Table 63.)

Though coming into the market some years later, the Dutch Indian oil, first from Sumatra and then from Borneo, has endured the severe American competition much longer than the Russian. As soon as Dutch oil was introduced into China in 1869, the Royal Dutch Petroleum Company, aided by German agents, was vigorously pushing it in Hongkong and other Chinese coast ports.<sup>1</sup> Since the early years of the new century, therefore, the distribution of kerosene in China has fallen exclusively into the hands of two competing corporations: one being the Standard Oil Company of the United States, the other the Asiatic Petroleum Company of the Dutch East Indies. Formerly, the latter concern also handled some Russian oil. Competition became keener as time went on, and cut-price was the practice usually resorted to by both parties. Around the year 1910, the relations between these competing concerns became so strained that the rivalry practically amounted to war.<sup>2</sup> In one instance we are told that during the first six months of

<sup>1</sup>U. S. Consular Reports, Vol. 58, 1898, p. 23.

<sup>2</sup>See comment by Chinese Customs Commissioner-General, *Customs Report*, 1910, Part I, p. 49.



1910 American kerosene conquered Sumatra oil in South Manchuria. American oil made a hard fight, showing an advance in quantity of sales in that territory over the preceding year of twenty-nine per cent. but a decline in price of twelve per cent., a phenomenon due to the rate war then in progress between American oil interests and the Dutch exporters.<sup>1</sup> After 1912, this competition is said to have been affected by agreements and understandings of a familiar sort and the market has quieted down as compared with that before that year.<sup>2</sup>

That American oil interests in China suffered a great deal from this severe competition during those years is clearly shown in Table 63. Normally, the United States has a distributive share of from two-thirds to four-fifths of China's total kerosene imports. During the first ten years from 1900 to 1910, when the competition was attaining its zenith, her share dropped to a little over one-half.

From the differences in the percentages between the quantity distribution and value distribution in the different years, as shown in Table 63, it may be noted that during the whole period of competition the trade went, or tended to go, to whichever competitor who offered a lower price for his oil than his rivals. With both the total quantity and its total value as 100 per cent., if, then, a country gets a higher percentage for her quantity and a smaller one for value, the price of her product must be below those of other competitors. If her value percentage is higher than her quantity percentage, the case is just vice versa. Applying this rule of estimating the comparative prices, we see at once from the above distribution table that at the beginning of the Russo-American competition, the price for American oil was much higher than that of Russian, as the former commanded 80 per cent. of the total value with 76.5 per cent. of the total quantity, while in the case of the latter,

<sup>1</sup> F. McCormick: American Defeat in the Pacific; *The Outlook*, Vol. 97, p. 68, January, 1911.

<sup>2</sup> C. F. Remer; *op. cit.*

24.5 per cent. of oil was sold only for 20 per cent. of the total price. The cheap price of Russian oil must have been a very strong selling point among the poorer class of Chinese people, and had tended greatly to expand the Russian trade during the following decade. In 1900, American prices were still much higher than either the Russian or Sumatran, and this largely accounts for the severe drop of American sales and the enormous growth of the other two. This price test holds good throughout the whole period as, for instance, when in 1905 Russian value percentages became higher than her corresponding quantity percentages, that is to say, her price comparatively rose up to be higher than the others, her trade at once fell down. From that time on, Russian price is constantly above those of other competing countries, and this is perhaps the reason that Russia has never been able to recover her lost share of two decades ago.

From 1900 to 1905 the oil prices of Sumatra and Borneo were both below those of the United States. As a result the oil trade of the two former countries in China was flourishing during those years. But a turning point was reached in 1910 when both of the prices of Bornean and Sumatran oils came above that of their strong competitor, who immediately got a greater share in the trade at their expense. It seems quite sure that the gradual recovery of American trade during the interval from 1905 to 1913 was gained solely by cut-price competition. According to normal conditions, American oil cannot be sold cheaper than either Russian or Dutch, because the former has to bear a much larger item of overhead in the trans-Pacific freight. The lower price of American oil during the years around 1910 was, therefore, mainly due to the unusual cut-price policy of the strong Standard Oil Company. Since 1914, both the American and the Dutch prices have remained nearly at an equal level as their value percentages usually equal their quantity percentages. This is, perhaps, the re-



sult of the agreement and understanding effected among the competing firms in 1912.

Due to the prohibitive rate of freight, American kerosene trade declined during the three active war years, 1916-1918, to less than half of the total imports of China, and was even exceeded by the Sumatran share in 1918. This drop is, of course, temporary in nature. Soon after shipping conditions came to relief after the Armistice, the United States obtained more than her old share, and now more than four-fifths of the oil is supplied to China from the American wells.

#### *Trade in Other Mineral Oils*

Besides kerosene, America is now sending to China large and increasing quantities of other mineral oils, mainly for the use of the growing industries in that country. Before 1913 kerosene was practically the only oil of commercial importance; the export of other kinds of oils to China being so small that the statisticians of the United States Bureau of Foreign and Domestic Commerce did not even deem it worth while to record them separately. Their total quantity, shown under the name of "Other Oils," was only a little over one million gallons.

But the phenomenal progress of the industrial China following the outbreak of the European War has created a new market for several kinds of American mineral oils other than kerosene. They are, as separately reported by the Bureau, fuel and gas oil, lubricating oil, and naphthas, gasoline, etc. The quantity and value of their export to China during the last ten years are shown in the following table.

First, a few words regarding fuel and gas oil. Before 1918, nearly all imports of this oil into China came from the Dutch East Indies. Handicapped by the high freight rate and long distance, American oil could not compete with the Dutch. But since 1919, when the handicaps were removed, American oil has taken an increasing share; in

1920-21 one-half, and in 1922 two-thirds of China's fuel oil imports were credited to the United States as the place of origin.<sup>1</sup>

TABLE 64

#### *American Exports of Other Refined Mineral Oils to China*

Year	Fuel and Gas Oil		Lubricating Oil		Naphthas, Gasoline, etc.	
	1,000 Gal.	\$1,000	1,000 Gal.	\$1,000	1,000 Gal.	\$1,000
1913 ....	1,328*	210*				
1914 ....	229	6	1,472	281	284	54
1915 ....	1,777	96	2,921	419	472	79
1916 ....	55	3	3,326	544	180	37
1917 ....	2,846	117	2,139	415	245	58
1918 ....	3,163	154	4,096	1,048	245	93
1919 ....	3,960	157	5,630	1,483	1,148	386
1920 ....	17,131	856	3,520	1,340	840	352
1921 ....	20,001	770	4,192	1,236	1,498	529
1922 ....	19,434	695	5,098	1,308	1,447	470

\*Including all other oils, except illuminating oil. Data compiled from U. S. Commerce and Navigation.

Somewhat different from the above case is that of naphtha and lubricating oil. In 1914-18, China imported 4,612,000 gallons of naphthas of which the United States sent 1,426,000 or about 30 per cent. She also imported 21,962,000 gallons of lubricating oil, of which the United States sent 13,954,000 or 64 per cent. In 1919-21 China's total import was 9,936,000 gallons, of which 3,486,000 or 35 per cent. was American. Her total import of lubricating oil in the same three years was 18,360,000 gallons, of which 13,332,000 or 72 per cent. was American. Although the relative share increased slowly in the face of Dutch competition, yet the absolute quantity in both oils has experienced enormous expansion.

<sup>1</sup>See Chinese Customs Returns.



## CHAPTER XII

### TOBACCO

#### *China as a Market for Foreign Tobacco*

The introduction into China of the habit of using foreign tobacco dates back only a few decades. Up to as late as 1867 only home-grown tobacco was used in China and cigarettes were unknown.<sup>1</sup> Even up to the present day native tobacco, together with its necessary adjunct, the old Chinese pipe, is still in wide use everywhere in the country, especially in the interior. But when the cigarette once entered the Chinese market, the Chinese smoker found it more convenient to handle, and the habit of using it has been gradually increasing. However, trade in this article was at first rather small, so small that before 1901 the imports of cigarettes and unmanufactured tobacco into China were not separately recorded by the Chinese Customs, being included under the item "Sundries, unclassified." In 1902, when the item "Cigarettes" was separated from the unclassified item, the value of China's total imports was \$1,259,000. The next year, when "Tobacco" was first given a separate figure, its value was only \$325,000.

But during the last two decades, the spread of the cigarette habit throughout the whole country has been astonishingly rapid. In 1912, four and four-tenths billion cigarettes were imported into China at a value of \$6,493,000; and in 1922 the quantity reached ten billions and its value \$23,614,000.

Before the war, the importation of raw tobacco did not keep pace with the growing cigarette trade. In 1904 twelve million pounds of raw tobacco at a value of \$1,065,000 were

<sup>1</sup> The *Chinese Customs Returns* gave the first indication of some imports of foreign tobacco in 1867, though the *United States Foreign Commerce and Navigation* shows that after 1850, there was some tobacco exported to China every year.

### TOBACCO

237

imported, while ten years later, these figures were sixteen million pounds at \$1,834,000. This slow growth is due to the fact that the cigarette industry in China was then still undeveloped, and raw tobacco was therefore not much needed. In the last ten years, however, the trade has made remarkable strides, and in 1922 the imported quantity expanded to more than thirty-five million pounds with a value of \$11,461,000.<sup>1</sup>

The growing importation and consumption of tobacco in various forms led some Chinese to believe that this was a second opium curse come to sap the energy of their country and people. Opposing the omni-present reformers, however, were the no less patriotic citizens who were convinced that tobacco was not only a harmless stimulating pleasure for the individual but also a beneficial stimulant to national business prosperity. Among these was the late Kan Chiu-nam, foremost of China's modern industrialists, who was founder of the Nanyang Brothers Tobacco Company. Many more native concerns for the manufacture of tobacco in various forms were opened following the success of the pioneer venture which together with the establishment of native factories in China by foreign interests resulted in stronger entrenchment of the Chinese tobacco trade and industry.<sup>2</sup>

#### *American Tobacco in the Chinese Market*

Along with China's growing importation of foreign tobacco and cigarettes, American tobacco trade with China has made remarkable progress during the last two or three decades. As shown in Table 65 the total annual American exports of both raw and manufactured tobacco, while worth

<sup>1</sup> For further details on China as a Tobacco Market, cf. U. S. Bur. of For. and Dom. Com., Special Consular Reports, No. 68, *Tobacco Trade of the World*, 1915, pp. 31-34.

<sup>2</sup> *Modern Development in the Chinese Cigarette Trade and Industry*, by Tsze E. Pun, *Tobacco*, N. Y., April 24, 1924.



only a few thousand dollars thirty years ago, reached thirty millions in 1920. The increase has been especially rapid since 1914 because, on the one hand, the financial ability of the Chinese community to purchase comforts and luxuries has grown and, on the other, British competition, the most formidable competition against American tobacco manufactures before the war, was to a large extent eliminated.

Before 1914 the American share in China's tobacco trade, although important, did not hold the leading position. Cigarettes manufactured in Great Britain constituted by far the greatest part of the total imports into China; and the share of the United States was a poor second. According to the Chinese Customs returns Great Britain supplied China in 1913-14 with seven out of every ten cigarettes imported from foreign lands, while the average of the United States was only one in ten, the other two being shared by Japan, Korea and Russia. England succeeded in maintaining her supremacy up to 1915-16, after which the first place was succeeded to by the United States. With the natural advantage of superior raw material and with European competition withdrawn incident to the Great World War, the American cigarette makers soon became supreme in the trade of the Orient, and, as indicated in Table 65, they are now supplying nine out of every ten cigarettes the Chinese purchase of foreigners.

In the case of raw material, Great Britain, of course, has never been in competition with the United States for she is also obliged to rely upon the United States for a supply of raw tobacco to feed her factories. Although Japan, Korea, Russia and the Philippines have at one time or another shared more or less in the Chinese trade, yet their exports to China have never reached such a quantity as to divest the United States of its largest part. Before 1914, the United States enjoyed one-third of the trade, in 1914-16, about one-half, in 1917-21, two-thirds, and in 1922, more than nine-tenths.

TABLE 65  
AMERICAN EXPORT OF TOBACCO, BOTH MANUFACTURED AND UNMANUFACTURED, TO CHINA, 1891-1922

Year	Tobacco—Unmanufactured			Cigarettes		
	Quantity in 1,000 lbs.	Value in \$1,000	Percentage of China's Total Import	Quantity per 1,000,000	Value in \$1,000	Percentage of China's Total Import
5-year Average	{ 1891-95 1895-1900 1901-05 1906-10 1914-16 1917-19 1911-13 1920 1921 1922	14a 279 825 4,140 6,272 7,944 13,009 18,525 19,389 32,418	.... .... .... 31% 35% 52% 56% 63% 63% 92%	.... .... .... 584b 523 1,088 5,854 8,509 6,444 8,580	80 320 832 1,085 822 1,833 10,289 16,096 11,699 17,035	.... .... .... 16% 11% 18% 70% 90% 90% 88%

a Two-year average, 1894-95.

b Three-year average, 1908-10.

Data compiled and computed from the Statistics of the Foreign Commerce and Navigation of the United States.



The mass of the Chinese people, whose purchasing power is still very low, cannot afford to use high grade tobacco. All American products sent to China are naturally of low price, usually as small as one-fourth of a cent (United States currency) for each cigarette.<sup>1</sup> But the very low price has made for the universal use of cigarettes among the Chinese. In order to utilize the cheap labor in China to turn out products for the Chinese markets, foreign tobacco interests have established a number of factories in several of the open ports. The British-American Tobacco Company has been in a dominant position for nearly twenty years.<sup>2</sup>

American tobacco has been used to a large extent by Chinese factories for the manufacture of some of the grades designed to compete with the products of the foreign interests, and there are grades of cigarettes on the Chinese market made of particularly pure American stock. Some American leaf is also used in blending the Chinese fine-cut tobacco used in Chinese pipes.<sup>3</sup>

Although China is even today not a great buyer of American raw tobacco (she took about four per cent of the total American raw tobacco export in 1920-21), she has occupied for some years a foremost place in the American cigarette exporting business. Table 66 shows the American cigarette exports to China along with her total exports. In 1915-1920 China took about two-thirds of the total American export, and in 1921-22, three-fourths.

*The Recent Development of the Chinese Tobacco Industry in Relation to Future American Trade*

Despite the recent enormous increase in Chinese imports of American tobacco, both raw and manufactured, the writer is of the opinion that the trade will undergo a great change in the not distant future. The new menace to the further

<sup>1</sup> *Tobacco Trade of the World*, op. cit.

<sup>2</sup> *Ibid.*, p. 32.

<sup>3</sup> *Ibid.*, p. 33.

growth of the American trade is not British or Japanese competition, but the much more formidable rapidly growing native industry. Even many years before the War were cigarettes similar in grade and style to the foreign product made in numerous small Chinese establishments both in the open ports and points in the interior. The sale of this native product has been increasing in considerable quantities.

"The competition," thus reported an American Consul in China in 1915, "offered by Chinese domestic tobacco has always been a hard problem for the American and British tobacco interests. Many Chinese people prefer the local product not only because they are accustomed to the flavor and the price is much cheaper, but also because every one deems preference of domestic products to foreign goods in case of a luxury like tobacco as having a patriotic origin. . . . It is in this trade that the growing preference of the Chinese for domestic goods is particularly felt."

TABLE 66

Year	Total American Export of Cigarettes per 1,000,000	American Exports to China per 1,000,000	% of the Total
1915	2,076	1,085	52%
1916	4,259	2,552	60
1917	7,020	4,949	70
1918	12,146	6,792	56
1919	16,212	6,192	38
1920	15,834	8,507	54
1921	8,544	6,444	75
1922	11,470	8,580	75

What was true of conditions before the war is more true at present because the rapid development of the Chinese tobacco industry, as a result of the high-price stimulation received during the war, has enabled the Chinese concerns



to provide more adequately for the expanding home market. The inauguration of the Nanyang Brothers Tobacco Company in 1906 and its wonderful growth since 1914, followed by the organization of many other native companies has resulted in the gradual return to Chinese control of the industry and trade, hitherto dominated by British and then by American interests. Today over ninety-five per cent of the tobacco industry is in Chinese hands and more than seventy per cent of all cigarettes consumed by the Chinese people are home-manufactured.<sup>2</sup> Under such favorable conditions, coupled with an increasing patriotic spirit in favor of domestic products, American exports of cigarettes to China will cease to increase as soon as the Chinese factories can produce an adequate supply to meet the demand of the Chinese community.

The probable future of American trade in raw tobacco seems to be brighter than that in cigarettes, because, on the one hand, the growing industry in China necessitates the use of more material, and, on the other, American tobacco is especially needed in the manufacture of some grades of cigarettes to compete with American manufacturers. Yet the production of Chinese tobacco is of growing importance to the tobacco world. Efforts to improve the quality of the native-grown tobacco, such as the importation of American seeds and cultivating implements and instruction by American trained experts have proved fairly successful. Encouragement of the small producers by the large native companies has resulted in an increase of tobacco production as well as an improvement of its quality, and "Chinese tobacco now equals the American product in color and body although somewhat milder in flavor."<sup>3</sup>

<sup>1</sup> For a more detailed account of the recent growth of the Chinese tobacco industry, see *The Growth of China Tobacco Trade*, by A. Syhung Lee, *China Review*, New York, November, 1922, pp. 160 ff.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Modern Development in the Chinese Cigarette Trade and Industry*, by Tsze E. Pun, *Tobacco*, April 24, 1924.

This progress in China's tobacco cultivation naturally creates a keen competition for American tobacco in the Chinese market. Some years ago nearly all the raw material used by the native cigarette factories was imported, mainly from the United States. Now the making of Chinese cigarettes usually takes sixty per cent of native, and only forty per cent of imported, tobacco.<sup>1</sup> Not only is the domestic market thus provided for, but export of Chinese tobacco is on the increase for the use of foreign manufactures. In 1918-20 Chinese tobacco exports to the United States alone amounted to five million pounds a year.

Even the British-American Tobacco Company, which formerly used American tobacco exclusively, is now compelled to purchase large and increasing quantities of Chinese domestic tobacco and use it in the manufacture of cigarettes in its factories in China, owing to the inclination on the part of the Chinese to favor native goods. "Buying the native tobacco even in the form of cigarettes," says the same American reporter, "especially appeals to the Chinese at this time when they are anxious to patronize home industry."<sup>2</sup>

On the other hand, the rapid industrialization of China bringing with it higher standards of living for the masses, will undoubtedly result in a greater consumption of articles such as cigarettes. The demand created may be such that even the increased native production will be unable to supply, and together with the demand for imported articles which will always exist in every land, may make it not improbable for the trade in foreign cigarettes to continue unabated.<sup>3</sup>

<sup>1</sup> *Ibid.*

<sup>2</sup> *Tobacco Trade of the World*, *op. cit.*, p. 34.

<sup>3</sup> *Ibid.*



## CHAPTER XIII

### WOOD, AND WOOD MANUFACTURES

The story of American lumber in China begins with the settlement of foreigners in Shanghai. Commission merchants brought Oregon pine to the port and sold it to the Chinese timber hong<sup>1</sup>. In 1860 Russell and Company of Shanghai, the great American firm in the early China trade, imported not only lumber but ready-made houses.<sup>2</sup> The failure of the company in 1890 ended this business and until the beginning of the twentieth century, American timber was entirely handled by commission merchants and Chinese hong<sup>3</sup>. Most of the wood in this period consisted of pine lumber from the States of Oregon and Washington, though considerable redwood from California also found an appreciative market, as did timber from British Columbia.<sup>3</sup>

In 1900 the Pacific Export Lumber Company of Portland was organized with the main purpose of selling lumber across the Pacific. The company chartered steamers and carried timber with some success.<sup>4</sup>

The Robert Dollar Company, which was a very large mill owner and operator on the American Pacific coast, also opened an office in Shanghai at the beginning of the century. It now owns its office buildings and yards at Shanghai, Tientsin, Hankow and Nanking, and has agencies and representatives at other ports in China.<sup>5</sup>

Table 67 shows the gradual increase in the quantity and value of American wood and the value of wood manufactures exported to China since 1891. It is noticed that in the

<sup>1</sup> *China's Growth Stimulates Lumber Trade*, The Trans-Pacific, Tokio, Aug., 1922, p. 70.

<sup>2</sup> *Ibid.*

<sup>3</sup> U. S. Dept. of State, Bur. of For. Com. Special Consular Reports, 1897; *American Lumber in Foreign Markets*, p. 219.

<sup>4</sup> *China's Growth Stimulates Lumber Trade*, *op. cit.*

<sup>5</sup> *Ibid.*

closing decade of the last century the average American lumber exported to China was only around ten million square feet a year, valued at less than \$100,000. Ten years later, the volume of the trade grew up more than five times, and now, in 1920-22, the quantity of export has increased to an annual average of 114 million square feet, and its value to \$2,217,000.

TABLE 67

AMERICAN EXPORTS OF WOOD AND WOOD MANUFACTURES TO CHINA, 1891-1922

		Wood boards, planks and scantlings		Wood Manufactures
		Qty. M feet	Value \$1,000	\$1,000
5-year average	1891-1895	5,001	48	26
	1896-1900	14,792	124	72
	1901-1905	24,326	285	256
	1906-1910	53,983	684	266
3-year average	1911-1913	71,343	776	264
	1914-1916	65,901	685	285
	1917-1919	29,708	766	992
	1920	117,065	4,205	1,789
	1921	98,773	1,947	438
	1922	117,255	2,217	3,170

Data worked out from the statistics in the *Commerce and Navigation of the United States*.

Besides lumber, American wood manufactures have also been exported to China for more than thirty years. Trade in this line has also shown a definite increase from an annual value of about fifty thousand dollars a year in 1891-1900, to more than two million dollars a year in 1920-22.

Table 68 shows the share taken by American lumber in the Chinese lumber market. Before the European War about half of China's soft wood import came from the United States, the other half originated from Japan and



Korea. At the same time Russia and Siberia supplied China with some of their forest product, whose quantity, however, had never been very large. During the World War, the American share dropped from a half to a quarter. This temporary decline was solely due to the prohibitive rates of ocean freight during the years of active warfare and to the impossibility of such a bulky cargo as lumber to bear them. For once, American lumber in China was substituted by Japanese and Korean lumber. But since 1920 American trade has recovered more than its lost share because of the heavy drop of the Pacific freight rates, and now more than two-thirds of China's soft wood import again comes from the States of Oregon and Washington.

As regards the hardwood import of China, the United States has practically no share. All the trade is in the hands of Japan and the British Straits Settlements.<sup>1</sup>

The future of the American lumber business in China is said to be very favorable, although at present lumber has not yet reached the position of being one of the principal imports into China.<sup>2</sup> The eastern part of China is almost denuded of large forests, causing the native supply of lumber to be very limited. As the industrial construction work of various kinds is now advancing rapidly in China, a large and increasing supply of timber must be imported by her for that purpose. Although afforestation is a measure which may ultimately make China self-sufficing in lumber, yet it will be at least some generations before that country can produce a supply sufficiently large to meet the native demand and thus affect foreign importation.

<sup>1</sup> See Chinese Customs Returns.

<sup>2</sup> Lumber Trade, *The Chinese Students' Monthly*, Vol. XVIII No. 1, Nov., 1922, p. 49.

TABLE 68  
SOFT WOOD IMPORT OF CHINA, 1911-22, QUANTITY DISTRIBUTION

From	U. S. A.		Canada		Japan and Korea		Russia and Siberia		Total
	1,000 sq. ft.	%	1,000 sq. ft.	%	1,000 sq. ft.	%	1,000 sq. ft.	%	1,000 sq. ft.
3-year average	53,769	46.5	8	..	57,462	49.5	2,921	2.5	115,750
	46,867	27.8	1,592	0.9	109,669	64.9	5,756	2.4	169,093
	23,373	23.0	10,272	10.1	60,763	59.8	6,991	7.0	101,750
	120,504	57.5	15,011	7.2	69,234	33.1	1,314	0.6	209,402
	88,348	70.0	10,077	8.0	24,767	19.5	2,662	2.1	126,380
1922	142,013	61.0	27,178	11.6	42,546	18.3	20,979	9.0	233,685

Data computed from Chinese Customs Returns.



## CHAPTER XIV

### INDUSTRIAL MACHINERY AND EQUIPMENT

#### *China as a Market for American Iron and Steel Machinery*

The rate of progress at which the recent transformation of China from an agricultural to an industrial state is taking place may well be gauged from the expansion recorded year by year in the figures of the various kinds of machinery imported. About thirty years ago, the Chinese Maritime Customs reported the imports under the item of machinery at a total value of about a half million dollars.<sup>1</sup> This trifling sum was only doubled in the course of ten years.<sup>2</sup> Even on the eve of the World War, Chinese imports of all sorts of machinery did not return very large figures, being usually around three or four million dollars a year.<sup>3</sup> But during the last decade, these imports have increased ten times, a growth so phenomenal that it points clearly to the pryootechnical progress of young industrial China.

"There is," says an American trade commissioner in China, "something in the situation that appeals most strongly to the imagination of a foreign trader. The vast area of the country, the abundant population, the splendid natural resources, both mineral and agricultural, the potential water-power, all in the hands of a people who are intelligent, clever, hard-working, dependable, and likable, will doubtless make China one of the foremost industrial empires of the world."<sup>4</sup>

<sup>1</sup> In 1890, the value of machinery imports into China was 410,000 HK. Taels; exchange rate 1 tl. = \$1.27; converted into American currency it is \$521,000.

<sup>2</sup> In 1900, the value of machinery imports was 1,450,000 HK Taels; exchange rate, \$0.75; converted into American currency, it was \$1,088,000.

<sup>3</sup> See Table 69, 1912-13.

<sup>4</sup> U. S. Bur. of For. and Dom. Com., Special Agent Series, No. 215. *Asiatic Markets for Industrial Machinery*, by W. H. Rastall, 1922, p. 247.

### INDUSTRIAL MACHINERY AND EQUIPMENT 249

But before China attains a high stage of industrial development, it is absolutely necessary for her to get from other highly developed countries machinery and equipment for the fitting out of her workshops and plants. At present China is able to produce only such articles as can be manufactured by the simpler forms of industry. There will still be some time before she can reach such a stage of industrial development as that of Europe and North America, and make her own machinery and equipment. So far as the near future is concerned the import of foreign machinery is sure to increase with the industrial progress of the country.

Among the more important enterprises of China are cotton spinning and weaving mills, bean oil mills, iron and steel works, and smelting plants for antimony, tin, zinc, and other ores, silk filatures, match, soap, candle and cigarette factories, distilleries, breweries, canneries and albumen factories, shipbuilding and engineering works, cement works and paper mills. There has been also a great increase during the last two years in the volume of business transacted by flour and rice mills, glass and carpet factories.<sup>1</sup>

Many new enterprises have recently been opened, among which may be mentioned machine-driven hosiery factories, beet and cane sugar refineries, rubber and paint factories, electro-plating works, woolen spinning and weaving mills, biscuit and jam factories, button, umbrella and toy factories.<sup>2</sup> In almost every large city throughout the country modern mills and factories are springing up, which, while turning out in ever-increasing quantities articles which China was in the past obliged to import from foreign countries, have, on the other hand, greatly intensified the demand for foreign machinery, tools, and other equipment.

The corresponding growth of the machinery market in China during the last decade is shown by the import statistics

<sup>1</sup> See *China Year Book*, 1923, ch. on Manufactures.

<sup>2</sup> *Ibid.*



in Table 69. The rate of increase has been especially marked since 1918, when Chinese industry was stimulated by the price inflation and business prosperity all over the world. The value of imports increased from ten million dollars in 1918 to 22 millions in 1919, to 31 millions in 1921; then again to 44 millions in 1922 in spite of the general business depression then prevailing in China. Even though this development of industries has been recently much disturbed and retarded by chaotic political conditions in the country, yet the importation of machinery in 1922 was able to hold its own, an evidence which shows that the development is still going on. As soon as the political condition improves, new roads and railways will be built, additional plants and shops installed, and the importation of foreign machinery will make another headlong dash in the expansion of its volume. "The Chinese are now great buyers. But what they are buying today is but a bagatelle of what they will buy tomorrow."<sup>1</sup>

In this highly promising market of the Orient the United States has taken a considerable and increasing share during the past ten years. While before the war China absorbed, according to the United States statistics, annually only less than half a million dollars' worth of American machinery, she took 17 millions worth in 1919, 18 millions in 1920, and 20 millions in 1921 (Table 70). Whereas in 1913 China ranked twenty-eighth among the world markets for American machinery, her rank was advanced in 1919 a long way ahead to seventh and again to fifth in 1921. In 1913 the United States supplied less than one-tenth of the total machinery imports of China, the bulk of the business being then in the hands of Great Britain and central Europe. But in 1919-21, more than half of the Chinese demand was met with American machinery. It is most gratifying for the American manufacturer to note that the machinery market of China today is nearly forty times as valuable to him as it was a

<sup>1</sup> C. A. Middleton Smith: *The British in China*, p. 47.

TABLE 69  
CHINA'S IMPORT OF IRON AND STEEL MACHINERY, 1912-22<sup>1</sup>

Year	Value of Total Imports in 1,000 HK Taels	Rate of Exchange of One Tael into U. S. Currency in \$1,000	Total Value Converted Into U. S. Currency in \$1,000	Shares Held by Different Countries in Percentage			
				U. S. A. and Canada <sup>2</sup>	Great Britain	Hongkong	Japan All Other Countries
1912.....	4,624	0.70	3,231	11.4	34.5	15.6	10.8 22.7
1913.....	5,778	0.73	4,218	9.8	37.2	10.3	10.2 32.5
1914.....	8,756	0.67	5,868	8.2	40.0	10.5	10.3 31.0
1915.....	4,954	0.62	3,071	15.4	41.3	11.1	17.8 14.4
1916.....	6,655	0.79	5,257	18.7	37.2	3.9	30.8 9.4
1917.....	6,540	1.03	6,736	22.3	25.6	4.5	39.3 8.3
1918.....	8,339	1.26	10,507	31.8	15.8	4.9	44.3 3.2
1919.....	15,482	1.39	21,520	47.0	13.4	5.0	24.1 10.4
1920.....	24,608	1.24	30,514	55.0	21.4	2.8	16.8 6.0
1921.....	57,805	0.76	43,932	43.7	36.8	2.1	13.4 4.0
1922.....	51,541	0.83	42,779	24.0	43.2	2.5	18.0 12.3

<sup>1</sup> Data from the Chinese Maritime Customs Returns.

<sup>2</sup> Under this heading are included "Agricultural Machinery," "Propelling Machinery (as boilers, turbines, etc.)," "Textile Machinery," "Machinery for Brewing, Distilling, Sugar Refining, etc.," "Embroidering, Knitting and Sewing Machines," "Machinery, other kinds," "Parts of Machinery," and "Machine Tools." The percentages as shown here are somewhat different from those computed by W. H. Rastall in his book, *Asiatic Markets for Industrial Machinery*, *op. cit.*, p. 238.

<sup>3</sup> A large amount of machinery from Canada to China comes originally from the United States. The following comment by W. H. Rastall in his book, *op. cit.*, p. 238-239, illustrates this point:  
"To show the value of the Chinese market to American manufacturers by indicating the amount credited to the United States by authority of the Chinese maritime customs is inexact, because the shipments are always credited to the country represented by the last port of shipment, so that machinery transhipped at Hongkong or ports in Canada or Japan would be credited to those places, even though it originated in the United States. For example, 1919 returns of the Chinese Customs credited Canada with \$1,900,000 worth of textile machinery. Probably all of this equipment was made in New England and shipped via Vancouver. Inasmuch as the United States has supplied from 30 to 80 percent of the machinery imported into Japan in different years and from 30 to 47 percent of machinery shipped to Hongkong, it is clear that the United States has supplied China a good deal more machinery in addition to that strictly credited to it in the above statement."



decade ago, and it would be difficult for him to find another place in which his sales could achieve a better record of expansion in volume, rank, and share.

TABLE 70

AMERICAN EXPORTS OF STEEL AND IRON MACHINERY TO CHINA,  
INCLUDING LEASED TERRITORIES, 1908-22<sup>1</sup>

	Fiscal year ending June 30	Value in \$1,000	Calendar year	Value in \$1,000
Annual average	1908-10.....	442	1918.....	3,220
	1911-13.....	425	1919.....	16,864
	1914-15.....	821	1920.....	18,217
	1916-17.....	1,403	1921.....	19,652
			1922.....	11,136

Among all kinds of American machinery textile machinery has been for several years by far the most important. As we have noted above,<sup>2</sup> the cotton weaving and spinning industry has achieved remarkable progress during the past decade. This has resulted in a huge increase in the import of textile machinery, chiefly from the United States in the three years, 1919-1921.

Although the United States held the lead in the Chinese market during the post-war period, the market is reverting from the transitional period to the pre-war conditions. Taking the total machinery imports of China in the years preceding 1916, Great Britain got the largest share. In the next five years, she dropped to second and third place among the three strong competitors, the United States, Japan, and Great Britain. But in 1921, Great Britain achieved a remarkable recovery and in 1922 again took the lead (See Table 69). As to the other competing countries in Central Europe, Germany and Belgium got a large share before the war. Their trade disappeared entirely during the war and

<sup>1</sup> Data worked up from *The Trade of the United States with the World*. U. S. Bur. of For. and Dom. Com., Misc. Series.

<sup>2</sup> Chapter on Cotton Goods, *supra*.

post-war years, but their present effort to regain their shares has been marked with success. Assisted by the depreciating currency and low manufacturing cost (as compared with that in the United States in terms of gold), they are now able to send China many sorts of machinery at a price lower than that offered by the American manufacturer.

Thus outcompeted by Great Britain and the Central European countries, the United States now seems to be losing ground in the Chinese machinery market. In 1920, it supplied China 55 percent of the latter's total purchases. But in 1921, its share dropped to 44 percent, and in 1922 to only 24 percent. This is a serious drop and although the value of the trade in 1922 is still far above that of pre-war years by more than twenty times, yet relatively its share has shrunk to no more than two or three times.

Facing this serious situation the American machinery exporters should do whatever they can to preserve their ground in this highly promising market of China, especially since, as shown in Chapter V, industrial machinery is the chief, if not the sole, line along which China's future imports will certainly expand. Should the United States lose her ground, it would be still harder to regain it again.

Since due to the present gold and exchange situation the price of American machinery is higher than that offered by some Central European countries, or even that offered by Great Britain, the only expedient method by which the Americans can outcompete other bidders in the Chinese market is to finance the new Chinese industries and extend them long-term credits. Formerly China's orders for industrial equipment frequently followed the direction of foreign loans, because it has become the usual practice for the country making loans to insert a clause in their agreement with China to the effect that the materials and equipment to be bought by the funds should be purchased in



that country.<sup>1</sup> "It seems clear to me," says one American investigator in the Orient, "that in the East at least, finance and trade go hand in hand, and that neither the profits of trade can be fully reaped nor the trade interest be adequately upheld without incurring the responsibilities incident to financial activity."<sup>2</sup> Although such a restrictive clause in the loan agreement is very objectionable to the Chinese, yet the Chinese industries need foreign capital to make this further advancement possible. As perceived by everyone, most of the European countries and Japan are at present unable to extend to China the required credit, and here there seems to be a good chance for American traders to get business in China. If other countries could outbid the Americans by a lower price, Americans could outbid them by offering the Chinese industrialists the required credits on liberal terms. Once the trade is gotten hold of, its effect on further expansion is rather cumulative, and the Americans will be able not only to retain their former share, but also to increase it.

#### Other Iron and Steel Products

Long before China became a market for iron and steel machinery, she was an extensive purchaser of other iron and steel products, such as tools, bars, sheets, structures, pipes, wires, nails and all other sorts of hardware. For the ten years before the war, the total import of those products into China amounted to ten million dollars a year, of which the Americans got a share of about twelve to fifteen per cent.<sup>3</sup> The larger part of China's imports, around eighty percent, came from Europe, mainly from Great Britain, Germany, Belgium, France, and Austria. The rather small American share of the Chinese trade, considering the high development

<sup>1</sup> For detailed discussion on this point, see W. W. Willoughby: *Foreign Rights and Interests in China*, pp. 344 ff.; also see Rastall: *Asiatic Markets for Industrial Machinery*, op. cit., pp. 243-5.

<sup>2</sup> *The Far Eastern Review*, Shanghai, Vol. II, p. 229.

<sup>3</sup> Allowing the United States a certain portion of the trade credited to Hongkong by the Chinese Maritime Customs Returns.

TABLE 71  
CHINA'S IMPORTS OF IRON AND STEEL PRODUCTS<sup>1</sup>  
AND DISTRIBUTION OF THE TRADE<sup>2</sup>

Year	Value of Total China's Imports in 1,000 HK Tls	Exchange Rate of One HK Tael	Total Value Converted into U. S. \$1,000	Distributive share of exporting countries in %					
				U. S. A.	Canada <sup>3</sup>	Hong- kong	Great Britain	Japan	Other Countries <sup>4</sup>
1913.....	17,374	\$0.73	12,683	11.2	...	14.7	32.9	6.0	35.1
1914.....	15,835	0.64	10,134	12.1	...	14.0	33.0	6.2	34.7
1918.....	29,075	1.26	36,635	40.0	7.5	11.4	8.8	29.0	3.3
1919.....	36,237	1.39	50,369	43.8	7.6	10.1	12.1	20.8	5.6
1920.....	41,663	1.24	51,662	39.4	4.3	9.1	26.4	17.5	3.2
1921.....	38,376	0.76	29,166	39.1	0.9	11.8	25.2	10.4	12.6
1922.....	29,687	0.83	24,640	24.6	...	15.2	25.0	11.6	23.6

<sup>1</sup> Including tools, bars, wires, plates, sheets, pipes, tubes, hoops, joists, angles, rails, structures, nails, screws, ties, castings, and other manufactured and unmanufactured iron and steel; but excluding machinery, machine tools, iron and steel apparatus and furniture.

<sup>2</sup> Data worked up from the Chinese Maritime Customs Returns.

<sup>3</sup> Footnote on the distribution of China's machinery imports is equally applicable here. A large part of the trade shared by Canada, and a certain portion of that shared by Hongkong are actually American.

<sup>4</sup> Among the "Other Countries," Belgium, Germany and France took about 90 per cent of the trade.



and huge production of American iron and steel, was mainly due to the higher American prices.<sup>1</sup>

With the outbreak of the European War two great changes came to affect the hardware trade in China, similar to those affecting the machinery trade as indicated above. The first change was the phenomenal expansion of China's imports in these wares due to the rapid progress of her industry. The second was the remarkable increase of the American share in the trade, due to the withdrawal of European competition. Table 71 evidences these changes by showing the total value of China's imports and the distributive shares of some important countries in some pre-war and post-war years. It is seen that China's imports increased from a little more than 10 million dollars a year before the war, to 40 or 50 million dollars a year in 1918-1921. Whereas, the share of the United States increased from 12 percent to more than 40 percent.<sup>2</sup>

TABLE 72

AMERICAN EXPORTS OF IRON AND STEEL PRODUCTS<sup>3</sup> TO CHINA,  
INCLUDING LEASED TERRITORIES, 1891-1922<sup>4</sup>

Year	Value in \$1,000	Value in \$1,000
1891-95.....	109	1917..... 7,431
1896-1900.....	355	1918..... 13,148
1901-05.....	631	1919..... 20,528
1906-10.....	1,451	1920..... 24,980
1911-13.....	1,759	1921..... 10,752
1914-16.....	3,162	1922..... 6,074

Table 72 shows the gradual growth of the American ex-

<sup>1</sup> See U. S. Bur. of For. and Dom. Com., Misc. Series, No. 50, *Far Eastern Markets for American Hardware*, pp. 24 and 73.

<sup>2</sup> For an exhaustive description of the Chinese markets for American hardware, see *Far Eastern Markets for American Hardware*, *op. cit.*

<sup>3</sup> Excluding iron and steel machinery.

<sup>4</sup> Data from the *Foreign Commerce and Navigation of the U. S.*

ports of these wares to China since 1891. The upward trend of the trade in these lines has never sagged except in 1921 which was, of course, an exceptional year. The value of the trade has increased from \$100,000 a year in 1891-95 to \$12,000,000 in 1919-20.

But since the gradual coming back of European products to the Chinese markets, the American goods have been once more put under their old handicap of a higher price in competition with those of other countries, and the declining share is the result of this competition. What has just been said about what the American manufacturer should do to preserve their machinery market in the Orient is equally applicable here, because a large part of China's imports of iron and steel products is used for construction and industry.

But, nevertheless, there is a fundamental difference between the future prospect of the Chinese machinery market and the market for other iron and steel products. Regarding machinery, China is depending and will depend for some years or even decades to come upon foreign imports so that the United States as well as other exporting countries, can hope to build a fundamental line of trade in it. But the case is, or at least soon will be, different with other simpler forms of iron and steel manufactures.

Up to the present time most of China's iron and steel products have been imported from the United States and Europe. But, as in the case of cotton goods, manufactured tobacco, and, some fifteen years ago, wheat flour, this is another department in which the new Republic's latent potentialities promise to make it ultimately independent of imports. Little has been done that would enable an accurate estimate of that country's mineral resources to be made, but enough is known to make it certain that it has more iron, and probably more coal, than any other nation of the world. Enough iron and coal to serve the industrial needs of the country for centuries has already been opened up within



reach of either railways or navigable rivers. The Hanyang Iron and Steel Works, situated on the middle Yangtse, offer a good illustration of what China may be expected to do toward attaining self-sufficiency in the matter of rails, structures and similar iron and steel manufactures. With skilled labor of a character that would command from \$6 to \$10 a day in the United States—and say, two-thirds to one-half of those amounts in Europe—available at from fifty cents to one dollar, and with unlimited unskilled labor at hand for twenty to thirty cents a day, the works themselves should be able to make iron and steel at a fraction of the cost in American or European plants. As soon as China is in a position to start more of such iron works,—with the help of foreign capitalists, such an occurrence seems probable at any time—that country will be able to make most of the simpler forms of iron and steel manufactures necessary. My conclusion concerning this line of trade is, therefore, that in the near future China may still largely depend upon America and Europe for these wares, but in ten or twenty years, the demand for imported goods may materially decrease relatively, if not absolutely.

*Electrical Machinery, Appliances, and other Materials*<sup>1</sup>

Electrical machinery, appliances, and other materials belong to another field in China in which American trade is going to grow greatly in the near future.<sup>2</sup> The trade now is already quite large, amounting to more than four million dollars' worth in 1920-21, and somewhat less in 1922. Here the quotation in the preceding section that what China is buying today is but a bagatelle of what she will buy tomorrow can be applied with equal accuracy.

<sup>1</sup> Excluding Motor Vehicles, which will be dealt with in the following section.

<sup>2</sup> A detailed survey on China as a market for American electrical goods is found in U. S. Bur. of For. and Dom. Com., Special Agents Series No. 172, *Electrical Goods in China, Japan and Vladivostok*, by R. A. Lundquist, 1918.

The demand in the old Chinese cities for electrical materials and machinery has grown with amazing rapidity during the last twenty years. It was in 1903 that the Chinese Maritime Customs first reported the imports of electrical goods under a separate item, amounting in that year to only \$368,000.<sup>1</sup> Before the war, the total imports of China increased to a little less than two and a half million dollars worth. But in the past decade, the increase has been consistent, and in 1919-22, the total was around ten million dollars (See Table 73). This huge increase has been due to a keen demand for electrical equipment for lighting and operating other plants, for the extension and expansion of existing plants and the installation of others. The employment of electrical current for lighting purposes and for small power plants is rapidly increasing in China.<sup>2</sup> These small power plants are mostly supplied by the United States.<sup>3</sup> The numerous small industries which are operating in China are particularly well adapted to the employment of electricity as a medium of power, the current being easily controlled and shut off when not required.<sup>4</sup>

There is, however, a tendency in the more important establishments in China to install large units, and while a few years ago 200 and 400 kilowatts were considered large, it is now quite common to install units of 1,000 kilowatts and upwards, and a large number of orders were placed in the past few years for privately-owned power-stations for the purpose of supplying power to cotton and flour mills.<sup>5</sup> This increase in the amount of machinery installed has, of course, stimulated the demand for electrical accessories, fittings and all other sorts of electrical materials.

<sup>1</sup> 574,600 HK Taels. Value of tael in that year, \$0.64.

<sup>2</sup> See China; Maritime Customs Report, 1920, Part I, p. 10.

<sup>3</sup> The *Eastern Commerce*, Tokio, Vol. VII. No. 2, Dec., 1921. *Market for Machinery and Implements in China*, p. 39.

<sup>4</sup> *Ibid.*

<sup>5</sup> Chinese Maritime Customs Report, *op. cit.*



In 1922, there seemed to be a setback in the trade. No doubt the surfeited condition of the market in these articles, resulting from overbuying during the two preceding years, coupled with the general depression in trade and a falling exchange explain the contraction in the value of electrical goods in 1922.<sup>1</sup> Despite this setback, it need hardly be said here that the continual growth in the use of electrical plants for power and lighting purposes in China is assured, and that there is a bright future for all sorts of electrical goods.<sup>2</sup>

The share taken by the United States in this line of trade is shown in Table 73 together with those taken by her competitors. Prior to the war American goods did not sell well in China, while British, German, Belgian and Japanese goods were imported in much larger quantities. With Germany and Belgium temporarily eliminated from the field and British commercial activities greatly curtailed following 1915, the electrical manufacturers of the United States began to realize the opportunities in the Orient. The growth of their exports of electrical machinery, appliances and materials to China, as shown by the United States statistics, was as phenomenal as that of iron and steel machinery. In 1913, the value of American exports to China amounted only to \$120,000; in 1920 it totalled \$4,377,000. Despite the price deflation and the falling of silver exchange in 1921, it increased further to \$4,464,000 (See Table 74). In 1913, the United States shared only 6.3 percent of China's total electrical goods imports; in 1920 it was 27.6%, and in 1921 35.2% (See Table 73).

This remarkable advance, however, did not continue in 1922, when the American share dropped to 18.5% with a total value of \$1,655,000. This severe drop is explained partly by the general business depression in China with a sudden contraction in her total imports of electrical goods. But the recovery of the business lost to European countries

<sup>1</sup> Chinese Maritime Customs Report, 1920, Part I, pp. 16-17.

<sup>2</sup> *Ibid.*

TABLE 73  
VALUE OF TOTAL IMPORTS OF ELECTRICAL MATERIALS AND FITTINGS<sup>1</sup> INTO CHINA, 1913-22

Year	China Total Imports of		Exchange Rate of Tael	Percentage supplied by				
	Converted into \$1,000			Canada <sup>2</sup> U. S. A.	Great Britain	Hong- kong <sup>4</sup>	Japan	Other Countries <sup>3</sup>
	HK Tael 1,000							
1913.....	3,159	2,306	\$0.73	6.3	27.2	6.8	15.2	44.5
1914.....	3,363	2,253	0.67	4.4	23.6	10.1	22.8	39.1
1915.....	2,550	1,581	0.62	9.4	22.6	13.4	35.6	19.0
1916.....	4,197	3,316	0.79	18.0	18.9	8.4	49.6	5.2
1917.....	5,045	5,196	1.03	21.4	8.2	9.8	58.8	1.8
1918.....	4,808	6,058	1.26	25.3	4.6	7.9	56.1	6.2
1919.....	6,110	8,493	1.39	34.4	5.8	7.5	34.2	8.1
1920.....	9,404	11,661	1.24	27.6	13.9	3.6	40.1	14.8
1921.....	15,129	11,498	0.76	35.2	25.0	3.6	2.28	13.4
1922.....	11,261	9,338	0.83	18.5	29.6	5.7	28.1	18.1

<sup>1</sup> Under this item are included all the materials and fittings credited by the Chinese Maritime Customs Returns, "Electrical Material and Fittings", and "Telephone and Telegraph Supplies". This item excludes motor vehicles and, possibly, the greater part of electrical machinery. It is unfortunate that the Chinese Maritime Customs do not clearly report the figures for electrical machinery by reserving for it a special column. Much of the importation must be under the several items, "Machinery, Propelling", "Machinery, other kinds", and "Electrical Material and Fittings". The figures here shown are therefore not complete.

<sup>2</sup> A large part of China's imports credited to Canada comes originally from the United States. See note in the preceding section.

<sup>3</sup> Before the war, Germany and, to a less extent, Belgium, practically took nine-tenths of the share under this column. After 1920, many central European countries shared the trade.

<sup>4</sup> Taking into consideration the fact that the majority of American importers have their headquarters in Shanghai and do not have an important volume of business with South China, and the further fact that only a few American electrical manufacturers are strongly represented in Hongkong, it is probable that no large percentage of imports from Hongkong in and following 1913 was of American origin. U. S. Bur. of For. and Dom. Commerce, Special Agent Series, No. 172, *Electrical Goods in China, Japan and Vladivostok*, 1918, p. 10. This condition has changed since the war.



during the war, and the formidable efforts of the British to the war, and the formidable efforts of the British to push their goods in the Chinese market are the chief causes of the declining share of the Americans. American electrical goods like other kinds of machinery and equipment are higher in price than those of European make, and are thus handicapped in the post-bellum competition. But the measure of credit extension already suggested before can also be taken by the American manufacturers in this line of trade to offset the disadvantage of higher prices.

TABLE 74

VALUE OF AMERICAN EXPORTS OF ELECTRICAL MACHINERY,  
APPLIANCES, AND MATERIALS TO CHINA

Year	Value \$1,000	Year	Value \$1,000
1913.....	120	1918.....	1,493
1914.....	239	1919.....	1,904
1915.....	242	1920.....	4,377
1916.....	417	1921.....	4,463
1917.....	1,143	1922.....	1,655

### *Motor Vehicles*

That China offers the United States one of the greatest fields for the expansion of their motor-vehicle trade is being emphasized by the widespread movement of road construction in China and the rapid increase in her imports of American vehicles during the past few years. A review of the present market discloses an unusual activity in all sections of the vast country in opening up new communications for commercial purposes, and every year thousands of motor cars and trucks are being sent to China to meet the growing demand.

The development of the Chinese market for motor vehicles has come rather suddenly. Only ten years ago, an American consul in China reported to his government that there was no market whatever in most parts of China for auto-

mobiles.<sup>1</sup> "The country roads there," said the reporter, "are in many places mere cart tracks and are not improved at all, while in cities the streets are entirely too narrow for the use of any wheeled vehicle."<sup>2</sup> At that time a very few machines were owned as a novelty by wealthy Chinese, but the rest of the people could not use them and did not care for them.

But during the past decade conditions in China have been changing very rapidly. The Chinese have now come to recognize the vital necessity of good highways as a means of assisting the development of the vast resources of the country. Many private roads and auto-transportation companies have been formed, or are in process of promotion; and up to the present time hundreds of miles of good roads have been built for motor traffic.<sup>3</sup> Regarded at first as a luxury, the motor car is now recognized in China as a necessity for rapid transit in cities, for suburban and interurban communications, for connecting railways with waterways, and for feeder lines to railways and water-routes. If funds can be obtained for continuous construction and maintenance of these roads, the future looks bright for the development of a huge market for motor vehicles of all kinds. This phase of China's development can be traced largely to the fact that for some ten years, railway construction had been practically at a standstill, with very little hope that funds on a large scale will be forthcoming from abroad for the resumption of work. Cities and towns in the interior of China, which cannot hope to be connected by rail, are

<sup>1</sup> U. S. Dept. of Com. and Labor, Bur. of Mfrs. Special Consular Report, No. 53, Foreign Markets for Motor Vehicles, 1912, pp. 107 ff.

<sup>2</sup> *Ibid.*

<sup>3</sup> For some details on the Chinese good-road movement some years ago, see U. S. Bur. of For. and Dom. Com., Special Agent Series No. 170, *Motor Vehicles in Japan, China, and Hawaii*, 1918, pp. 51 ff. For more recent movement, see *The Market for Motor Vehicles in China*, The Far Eastern Review, Jan., 1922, Vol. 18, No. 1.



turning their attention to the cheaper method of road communication. It is suggested if ways could be found for foreign capital to assist in this development, a great impetus would be given to the automobile trade with China.<sup>1</sup>

The importance of the Far Eastern market has been brought home to the American manufacturers of automobiles and the United States Department of Commerce sent out to China in the spring of 1922 a special automobile expert to study the conditions there and aid American manufacturers to increase their exports.<sup>2</sup>

The increasing value of the Chinese market for American motor vehicles can be realized by referring to Table 75. Before the war, imports into China were so small as to be nearly negligible. In 1912, the total value of imported motor cars was only 282,000 Haikwan Taels, which, according to the current rate of exchange (one tael=\$0.70) was only \$197,000. The European manufacturers were then selling the Chinese about twice as many cars as the American firms were. During the war, the trade expanded to more than one million dollars' worth a year, with the American merchants supplying two-thirds of it. Now about half of the motor vehicles used in China come from the United States. The success of the Americans is said to be due to the fact that Americans have in general Chinese goodwill, and they have the additional advantage that the American cars recently sold in China have made good.<sup>3</sup>

That China should import only about two million dollars' worth of motor vehicles from the United States in years when her total imports from the latter averaged more than

<sup>1</sup> Finance China's Highway Construction in Order to Increase the Automobile Trade; Far Eastern Review, July, 1922, Shanghai.

<sup>2</sup> *The Market for Motor Vehicles for China*, op. cit.

<sup>3</sup> Motor-Car Market in China, *The Literary Digest*, May 20, 1922, p. 76.

one hundred million dollars is perhaps not startling, but to those who know the conditions in China it is a portent of the most striking development in motor vehicle distribution. For it must be remembered that China has not been a big buyer of motor cars until the last few years. If one can imagine an interprovincial network of macadamized high-roads in China, the mind staggers at the probable number of cars that might be sold in that country every year.

TABLE 75

Year	China's Import of Motor Cars and Cycles			American Exports of Motor Cars and Cycles to China			
	Value in 1 000 H K T	Value of Import from U.S.A. in 1,000 H K T	% of U.S.A. in the Total	No. of Cars	Value in \$1,000	Parts of Cars in \$1,000	Total \$1,000
1912	282	88	31	....	....	....	....
1913	536	119	22	....	....	....	....
1914	608	151	25	144	144	....	....
1915	431	249	58	123	122	....	122
1916	754	493	65	314	284	22	306
1917	957	588	62	645	432	56	488
1918	1,374	656	48	1,058	986	72	1,061
1919	2,450	1,461	60	1,722	2,097	239	2,336
1920	3,877	2,231	58	2,245	2,876	314	3,190
1921	3,868	1,844	48	646	703	160	863
1922	2,495	949	38	....	....	....	....
Data from Chinese Maritime Customs				Data from the Commerce and Navigation of the United States			



PART IV

American Commercial Policies  
and Interests in China



## CHAPTER XV

### AMERICAN COMMERCIAL POLICIES IN, AND COMMERCIAL TREATIES WITH, CHINA

Foreign trade policies are the motive force of trade. They are, in turn, the result of existing trade conditions. We are always aided in the interpretation of the history of international trade by the interaction of the commercial policies of the respective trading nations, and conversely we can also understand why these nations follow such and such a policy toward each other by tracing the various stages of their trade development. In order, therefore, to understand what has made American trade with China what it has been, and to forecast its future prospects it is best to study the commercial policies of the two nations toward each other. These policies are, for the most part, embodied in their commercial treaties and agreements as contracted from time to time. Therefore, in conjunction with their commercial policies, we have also to examine their commercial treaties.

Since the beginning of American trade with China in 1784, we have noticed at different stages that there has been a great variety of commercial policies adopted by the United States toward her sister nation on the other side of the ocean. There was, at first, the policy of non-interference during the whole period of non-treaty intercourse. There was the most favored-nation-policy of Cushing when he concluded with China the first Commercial Treaty in 1844. There was Parker's land-grabbing policy, when he recommended in 1858 that the United States should create a protectorate over Formosa. There was Anson Burlingame's perfect sovereignty policy, when he headed the Chinese Mission to Europe and America in 1868. There was, finally, Hay's "Open Door" policy, which he enunciated afresh in 1899 and which has been consistently followed by the United States since that time. But whatsoever these different policies may have been there is clearly a thread of uniformity



in all of them. In other words, from the inception of Chinese-American diplomatic intercourse, the United States has, in fact, adopted only a single policy concerning her trade in and with China,—the policy of most-favored-nation treatment. Having realized that China is the biggest potential market in the whole world, the United States desires a fair chance to get an equitable share in her commerce in fair competition. This is the fundamental principle of the most-favored-nation treatment.

But to attain this aim the sovereignty and territorial integrity of China must be preserved, while her door must be kept open to all who desire to enter. So, after the explicit statement of the most-favored-nation treatment in the Cushing Treaty, there followed Burlingame's perfect-sovereignty policy, and Hay's Open Door policy. Even Parker's land-grabbing policy in the early years and the "dollar policy" as advanced by President Taft in 1908 did not deviate at all from this fundamental rule. During the latter half of the nineteenth century many European powers had one after another stretched their hands to grab some land or other concessions from China, and it is only natural that some American statesmen did not want their own country to lag behind other nations in this respect. Mr. T. Dennett, in the preface of his admirable book *Americans in the Far East During the Nineteenth Century*, says:—

"The tap-root of American Policy has been not philanthropy but the demand for most-favored-nation treatment. One frequently meets the assumption that the Open Door Policy was invented by John Hay and first applied in 1899. The Open Door Policy, in fact, is as old as our relations with Asia. It was pronounced in China as early as 1844, when Caleb Cushing incorporated a most-favored-nation clause into the treaty of Wanghia. It had its full development when Burlingame's Mission concluded for China with the United States the treaty of 1868 and secured from England the Clarendon Declaration. No new principle has ever been introduced since that time. Neither Mr. Hay nor Mr. Hughes appears to have considered that they were creating anything new."

All the commercial treaties and conventions, and other

agreements between China and the United States or between the United States and other countries concerning China, have, therefore, been drawn upon this basis.

### *Cushing's Most-favored-Nation Policy*

Before 1840 the American Government assumed toward its citizens resident in China an attitude which was not dissimilar to that taken by the Chinese Government toward its own merchants trading with foreigners. This early policy may be designated, not inappropriately, by the much used term of "laissez faire,"—"Let them shift for themselves." The American merchants in Canton, thus left to themselves, adopted a course of conciliation, with the result that as a whole they prospered in their trade. But when the news of the signing of the Treaty of Nanking between China and Great Britain reached America in 1842, it soon became evident to the American Government that a similar treaty was necessary between China and the United States, if Americans were to remain on an equal standing with their competitors in the Oriental market. A special Act was passed by the American Congress in 1843 providing for the creation of the first American Mission to China to deal with commercial treaties.<sup>1</sup>

The mission to China was finally organized toward the end of the year 1843, with Caleb Cushing, as Commissioner. The mission arrived at Macao, February 24, 1844. A formal letter was addressed to the acting Governor at Canton, stating the reason for their coming.<sup>2</sup> After the Governor had memorialized the matter to the Imperial Court, the latter appointed Kiyong as the Imperial Commissioner to negotiate with the American Envoy. The actual negotiation of the treaty was simple, and on July 3, 1844, the first commercial

<sup>1</sup> Congress. Globe, 3 Sess., 27 Cong., P. P. 323-325.

<sup>2</sup> For correspondence, see Sen. Doc. 67, 28 Cong., 2 Sess., pp. 2-20; Sen. Doc. 87, 28 Cong., 2 Sess., pp. 5-12.



treaty between the United States and China was signed at Whanghai, near Macao.<sup>1</sup>

The most significant provision in this document was of course the most-favored-nation clause, which was stated in the following words:<sup>2</sup>—

“ . . . The citizens of the United States shall, in no case, be subject to other or higher duties than are and shall be required of the people of any other nation whatever. . . . And if additional advantages or privileges, of whatever description, be conceded hereafter by China to any other nation, the United States and citizens thereof shall be entitled thereupon to a complete, equal, and impartial participation in the same.”

Another article of great importance, which established American Extra-territoriality within Chinese territory, also deserves special mention.<sup>3</sup> It runs thus:—

“Subjects of China, who may be guilty of any criminal act towards citizens of the United States shall be arrested and punished by the Chinese authorities, and the citizens of the United States who may commit any crime in China, shall be subject to be tried and punished only by the consul or other public functionary of the United States thereto authorized, according to the laws of their own country. . . .”

It was further provided that all controversies occurring in China between the citizens of the United States and the subjects or citizens of any other Governments should be regulated by the treaties existing between the United States and such Governments respectively, without any interference on the part of China.<sup>4</sup>

Besides the above provisions, this treaty opened five ports to American commerce<sup>5</sup>—Kwangchow,<sup>6</sup> Amoy, Foochow, Ningpo, and Shanghai—which were previously opened by the treaty of 1842 to British commerce. American citizens

<sup>1</sup> For a full text of the treaty of 1844, see Hertslet's *China Treaties*, Vol. II (see footnote on p. 539).

<sup>2</sup> Article II.

<sup>3</sup> Article XXI.

<sup>4</sup> Article XXV.

<sup>5</sup> Article III.

<sup>6</sup> Canton.

and families were permitted to reside and trade there, and their vessels and cargoes to enter and clear at will.<sup>1</sup> Fees and charges at these ports were formally abolished and import and export duties were prescribed in a tariff which was made a part of the Treaty.<sup>2</sup> Tonnage dues were also prescribed in the treaty.<sup>3</sup> The exclusive trade with Hong merchants and other monopolies or injurious restrictions were abolished.<sup>4</sup> It also gave the United States a recognized right to appoint consuls in China.<sup>5</sup>

As a basis for the conduct of trade, the American treaty of 1844 was regarded by foreigners as greatly superior to the British Treaty signed with China two years before. It was, in fact, so superior that it became immediately the model for the French treaty negotiated a few weeks later, and also for the treaty with Norway and Sweden, signed in 1847. Indeed, the Cushing treaty became the basis of China's international relations until it was superseded in 1858 by the Treaties of Tientsin. It is true that the United States had never imitated European powers in the use of physical force. It is equally true that she had always enjoyed the fruits of the use of arms by European Powers, inasmuch as the most-favored-nation clause had automatically assured to the United States any trade privileges obtained by others through force.

#### *American Attempts at Treaty Revision*

Following the establishment of formal treaty relationship between China and the United States, there was, as described in Chapter II, an immediate expansion of trade between them. But, nevertheless, the relations between foreign powers and the Chinese Government were rapidly reaching

<sup>1</sup> Article V.

<sup>2</sup> Article XIII.

<sup>3</sup> Article VI.

<sup>4</sup> Article XV.

<sup>5</sup> Article IV.



a critical stage and came to a head in 1853 when the Taiping Rebellion was in the flood tide of its first success in China.

The favorable opportunity offered by the Rebellion for the foreign Powers to advance their interests was utilized to its full extent by the United States as well as by Great Britain, France, and Russia. In 1854 the American Government sent Robert M. McLane to China to secure from the Imperial Government "some important modifications of the Cushing Treaty." Observing that the French and the English would certainly want new concessions, if any were made to the Americans, the Chinese Government energetically refused to accept his proposal.<sup>1</sup>

But in 1856 the time for the revision of the Cushing Treaty fell due, as Article 34 of this treaty prescribed that negotiations for its revision might come up at the end of twelve years. So impressed was the American Government by the steady opposition of the Chinese Government to all proposals for treaty revision that Commissioner Peter Parker was authorized to proceed to his post by way of London and Paris and to confer with the British and French Governments with a view to the adoption of a common policy in China. In the history of the evolution of American policies in China this marks the only step of American cooperation with Europe for the compulsory exploitation of that country.

At Canton, the American, British and French Commissioners were refused an interview by the obdurate Viceroy Yeh. They now tried to get it by force. In the latter part of October, 1856, the British navy fired upon Canton, breaching the city wall, and on the fifteenth of November, the American naval forces destroyed one of the Chinese forts, which was alleged to have fired upon an American ship. Peter Parker, then American Trade Commissioner in China, went even so far as to suggest to the United States Government that if the representatives of the three nations

<sup>1</sup> Parker *Correspondence* S. Ex. Docs. 22: 35-2, pp. 610 ff.

were still not welcome, "the French flag will be hoisted in Korea, the English at Chusan off the coast of Ningpo, and the American in Formosa."<sup>1</sup>

### *Parker's Land Grabbing Policy*

It has been stated in Chapter II that the United States Government had been considering the starting of the Pacific mail and freight service. But to such a plan an adequate coal supply in the Orient for the fleet was indispensable. With a view to attaining this end, Formosa, then a Chinese Province, had attracted the attention of some aggressive American officials in China. In 1847 officers of both the British and the American navy made surveys of the coal resources of the island. In 1849 the United States brig *Dolphin* made a second expedition for further explorations. The visit of Commodore Perry of the United States Navy to the island in 1854 had stimulated anew the interest of the Americans in it and an American commercial company had been formed to exploit its trade. Here was the opportunity for the ambitious Parker, who, in February, 1857, sent to the American State Department the following message:

"It is much to be hoped that the Government of the United States may not shrink from the action which the interests of humanity, civilization and commerce impose upon it in relation to Tai-Wan (Formosa), at present inhabited by savages, to whose depraved cruelties we have every reason to believe many Europeans, and among them our own friends and countrymen, have fallen victims."

In March he again wrote:

"In event of the establishment of a line of steamers between California, Japan, and China, this source of coal supply will be the most advantageous. That the Island may not long remain a portion of the Empire is possible; and in event of its being severed from the Empire politically, as it is geographically, that the United States should possess it is obvious, particularly as respects the great principle of the balance of Power."<sup>2</sup>

<sup>1</sup> Dennett, *Americans in the Far East*, p.

<sup>2</sup> Parker *Correspondence*, p. 1208.



To these impetuous proposals that he be given authority to complete the acquisition of Formosa, Parker never received any answer from the Secretary of State. But to his original proposal that the three powers join in taking temporary possession of Korea, Chusan, and Formosa, Secretary Marcy replied that the President did not believe that "Our relations with China warrant the 'last resort' you speak of; and if they did, the military and naval forces of the United States could be used only by the authority of Congress."<sup>1</sup>

#### *The Tientsin Treaty*

William B. Reed, the first American Minister Plenipotentiary to China, arrived in China in 1857 in company with the Russian, French, and English envoys to demand the long awaited revision of the Nanking and Wanghia Treaties. They had been accompanied to China by formidable fleets of war-ships and transports and were fully prepared for hostilities. This time the allied envoys would accept nothing except a concession to the totality of their claims, which the Chinese Government still tried to refuse. On May 20 the British and French fleets attacked the Taku forts and occupied them. The Chinese Government was thus compelled to concede under duress. Negotiations were carried forward with rapidity dictated under the military pressure of the powers. The American Treaty was signed on June 18,<sup>2</sup> and those with Russia, Great Britain, and France were also concluded in due time.

The most important provision in this treaty was a general guarantee of most-favored-nation treatment in all matters of commerce, navigation, and political or other intercourse.<sup>3</sup> The additional concessions gained by the United States were the establishment of diplomatic intercourse with

<sup>1</sup> *Ibid.*

<sup>2</sup> For a full text of the treaty see Herstlet's *China Treaties*, Vol. II, pp. 540-553.

<sup>3</sup> Articles XXX, VI, and XV.

the Chinese Government, with the promise of permanent official residence of diplomatic agents at Peking whenever such privilege should be granted to any other foreign power;<sup>1</sup> the immediate increase of the number of treaty ports from five to eight, and the permission to trade at any other port or place thereafter opened to other foreign countries;<sup>2</sup> a promise to suppress and punish piracy, robbery, and rioting;<sup>3</sup> a revision of tonnage dues, and a promise of religious liberty and toleration.<sup>4</sup> The import and export duties of China were the same as they had been in 1844, except in so far as some of them had been changed by treaty with other nations. Since numerous tariff changes of this kind had been made, a supplementary treaty was concluded, in November, 1858, in which the duties and regulations applicable to the trade of the United States were definitely stated.<sup>5</sup>

The results of these Tientsin Treaties between China, on the one hand, and the United States, Great Britain, France, and Russia, on the other, as affecting American commercial interests in China were numerous. Among the American merchants the pre-treaty traditions of old Canton had entirely disappeared. A new kind of international trade competition had arisen in which the merchants of other nations could bring to their help political and military support. Within the following ten years six other nations,—Germany, Portugal, Denmark, Spain, Holland, and Italy,—were to conclude treaties with China. The result was an intense international rivalry and trade conflict which the American merchants had to face.

<sup>1</sup> Articles IV-VIII.

<sup>2</sup> Article XIV.

<sup>3</sup> Article IX.

<sup>4</sup> Article XXIX.

<sup>5</sup> Supplementary Convention to the treaty of 1858, see Herstlet's *China Treaties*, pp. 552-553.



*Burlingame's Complete-Sovereignty Policy and the Treaty of 1868*

Anson Burlingame,<sup>1</sup> the first American Minister to reside in Peking, came to China in 1862. Capable, far-sighted, as well as noble minded, this statesman had a profound sympathy with the Chinese. In 1867 he resigned his post as American minister to serve as envoy of the Chinese Empire to all the Western powers then having treaties with China.

Burlingame's reason for accepting this novel post was not difficult to see. For the benefit not only of China, but also of America and the whole world, it was necessary that the Far East problem should be solved justly and peacefully. The partition of China seemed quite probable if the present "land grabbing" policy of the Westerners was allowed to continue. But in case of such an unfortunate event a wild conflagration in world politics was inevitable. To contribute anything toward the avoidance of such a world calamity was a motive to inspire the best efforts of any man, and Burlingame was fully conscious of the vast issues which might hang on the success of his mission.

The main purpose of Burlingame's Mission was to persuade the Western powers to recognize the sovereign rights of the Chinese Empire, and to treat the Chinese upon a strict principle of equality. That this policy was ultimately the policy of the United States in China is evidenced by the fact that the arrival of Burlingame in America as the head of a Chinese Mission was enthusiastically welcomed by the American people and that soon after his arrival a Sino-American supplementary treaty, usually known as the Burlingame Treaty,<sup>2</sup> was arranged by him with his own government, all eight articles of which were drawn upon

<sup>1</sup> The primary source for Burlingame is: F. W. Williams: *Anson Burlingame and the First Chinese Mission*.

<sup>2</sup> For a full text of this treaty, see Herstlet: *China Treaties*, Vol. II, pp. 554-7.

the principle of the perfect sovereignty of China and treatment of the Chinese upon terms of equality.

Having accomplished its purpose in the United States, the Mission went to London and there secured from the British Government a declaration,<sup>1</sup> which stated that "the Chinese Government is fully entitled to count upon the forbearance of the foreign nations, and the British Government has neither a desire nor intention to apply unfriendly pressure to China."

Thus strengthened by his successful negotiations with the United States and Great Britain, Burlingame moved on to the continent, visiting Paris, Berlin, and arriving at Petrograd in 1870. There he died an untimely death, leaving his work uncompleted.

The Burlingame Mission was the first effort of the United States to establish the Open Door Policy with regard to the territorial integrity of China. Though its immediate results were not great yet the American policies of later times may well have been due in some measure to the effort of this mission.

*Subsequent Revisions of Commercial Treaties in 1880, 1903, and 1920*

In general, commercial relations between the United States and China had been fairly well settled by the treaties of 1858 and the additional Articles negotiated in 1868. The treaties which have been concluded since that time are only to supplement but not to supersede them. In conjunction with the "Treaty for the Regulation or Exclusion of Chinese Immigration into the United States," signed at Peking, November 17, 1880, a supplementary commercial treaty between the

<sup>1</sup> The declaration was made by the Minister of Foreign Affairs, Clarendon, so it is commonly known as the Clarendon declaration.

<sup>2</sup> For text, see Herstlet's *China Treaties*, Vol. I, pp. 558-560. This treaty is not a commercial treaty and affects Chino-American trade only indirectly. See *supra*, Chapters III and IV in connection with Chinese Immigration.



two nations was concluded respecting commercial intercourse and judicial procedure,<sup>1</sup> "because of certain points of incompleteness in the existing treaties."<sup>2</sup> This treaty provides a more specific reciprocal pledge in the most-favored-nation treatment concerning tonnage dues, or duties for imports or exports, or coastwise trade,<sup>3</sup> and the absolute prohibition of opium trade between the two countries, the benefits of the favored-nation clause being made not claimable by nationals of either country as against this provision.<sup>4</sup> It also gives Americans a more definite extra-territorial right by providing that controversies arising in China between Americans and Chinese shall be tried by officials of the defendant's nationality in accordance with the law of the defendant's country; but authorized officials of the plaintiff's nationality may take part in the proceedings.<sup>5</sup>

Another occasion for the foreign powers having commercial and other interests in China to revise their existing treaties for the purpose of extending their commercial rights and privileges in China came just at the beginning of the present century, when the Boxer trouble arose in North China. In joint notes regarding conditions for the reestablishment of normal relations between China and the eleven powers involved in this case,<sup>6</sup> December 22, 1900, and January 16, 1901,<sup>7</sup> one provision stated "the Chinese Government will undertake to negotiate the amendments to the treaties of commerce and navigation considered useful by the powers, and upon other subjects connected with com-

<sup>1</sup> For text, see *Ibid.*

<sup>2</sup> Preamble of the Treaty.

<sup>3</sup> Article III.

<sup>4</sup> Article II.

<sup>5</sup> Article IV.

<sup>6</sup> The eleven powers were: Austria-Hungary, Belgium, France, Germany, Great Britain, Italy, Japan, Netherlands, Russia, Spain, the United States.

<sup>7</sup> For a full text of the note see MacMurray, *Treaties and Agreements With and Concerning China*, No. 1901/3, p. 309.

mercial relations, with the object of facilitating them."<sup>1</sup> In view of this provision, the American Government concluded the treaty of 1903 with China.<sup>2</sup> It is to be understood that this treaty is, like that concluded in 1880, to supplement but not to supersede the treaties previously concluded. All the provisions in the previous treaties remain in full effect, except those expressly modified by the present treaty or by other treaties to which the United States is a party.<sup>3</sup> The following is a summary of the document:

(1) Most-favored-nation treatment is pledged in regard to:

(a) All prerogatives, privileges, and immunities to be accorded in either country to diplomatic representatives of the other. (Art. I.)

(b) Attributes, privileges, immunities, and jurisdiction of consular officers of either country in the other. (Art. II.)

(c) Rights and privileges, and immunities of American citizens residing in Chinese ports or places open to foreign residence and trade, as regards their persons and property. (Art. III.)

(d) Duties payable in either country by citizens of the other, with special reference to tariff duties on goods imported. (Art. V.)

(e) Right of citizens, firms, and corporations of the United States to engage in conveyance of passengers and lawful merchandise on navigable inland waters of China. (Art. XII.)

(2) National and most-favored-nation treatment is pledged by China as regards regulations and conditions to be imposed on citizens of the United States desiring to en-

<sup>1</sup> Provision No. 11, *Ibid.*, p. 310.

<sup>2</sup> MacMurray, *Ibid.*, 1903/5, pp. 423-452. See also Herstlet, I, 566-78.

<sup>3</sup> Article XVII.



gage in mining operations and other necessary business relating thereto, with special reference to renting of mineral land, payment of royalty, etc. (Art. VII.)

(3) In connection with tariff duties, the Chinese Government agrees to abolish *Likin* and other transit dues in China, and in compensation, will impose a surtax on imports not to exceed one and one-half times the import duties, and export duties (including surtax) not to exceed  $7\frac{1}{2}$  per cent *ad valorem*. (Procedure detailed.) (Art IV.) Tariff duties payable by citizens of the United States on goods imported into China are set forth in a schedule which forms a part of the treaty. But they should be in no case other or higher than those paid by subjects of most-favored nations. (Art. V.)

(4) Other extensions of American commercial rights and privileges are definitely settled in the following articles:

(a) Americans are permitted to reside, trade, or pursue any lawful avocation in ports or places of China open to foreign residence and trade, and, within localities set apart for foreigners, may rent or purchase buildings, and rent or lease land in perpetuity and build thereon. (Art. III.)

(b) Right of United States citizens to establish bonded warehouses at open ports for purposes named and subject to conditions stated. (Art. VI.)

(c) Opening of Mukden and Antung to foreign residence and trade. (Art. XII.)

All these provisions together with several others are now in full effect except a revision of import tariff as annexed to the supplementary treaty of October 20, 1920,<sup>1</sup> which contains extensive schedules of tariff duties payable on goods imported into China.<sup>2</sup> Rules concerning customs valuation of merchandise thus imported have also been revised in the

<sup>1</sup> U. S. Treaty Series No. 657.

<sup>2</sup> Annex I, *Ibid.*

treaty of 1920 to conform to the changed price level at the present time.<sup>1</sup>

*Hay's Open Door Policy—A re-affirmation of the Policy of  
"Most-favored-Nation" Treatment*

The declaration in 1899 of the Open Door Policy by the United States came after the period of a "scramble for concessions" in China. It was a policy to open the "spheres of interest" that the Powers had hitherto held in China and to put all nations on the same basis commercially as well as politically with a view to maintaining a stable balance of power in the Far East. In fact it was not to open China's door, because after the wars of 1839, 1858 and 1860 China had already thrown her door wide open. Up to 1898 there were in China more than thirty ports open to foreign trade, and the different nations were each treated by the Chinese as the most-favored-nation. So in the real sense of the term it was not China's door that needed to be opened, but rather those of the different powers holding special privileges and creating "spheres of interest" in China.

The balance of power in the Far East at the close of the nineteenth century was unstable to the utmost. All the European powers wanted to get a foothold in China, and, at the same time, feared their rivals would get ahead of them. Checks and counter checks were made to protect their own interests on the one hand and to secure "preferential rights" so as to beat their rivals on the other. In order to establish a firm basis for themselves, all the powers excluded every other and exercised a veto power on the industrial enterprises within their own "spheres." In addition to the fact that the powers asked the Chinese Government repeatedly to make the so-called "non-alienation declarations," they made arrangements among themselves to define their "spheres of interests." Such measures, however, could not stop the conflict of interests among the

<sup>1</sup> Annex II, *Ibid.*



powers, but rather intensified it. Realizing the grave danger of such unlimited competition and emulation, the United States, therefore, stepped at this juncture upon the Far Eastern stage of politics to play a remarkable rôle in eliminating international conflicts and preserving world peace.

Yet the declaration of the Open-Door Policy by the United States was not due solely to the fact that she felt a moral obligation to the civilized world to avert an impending world war. Aside from all other considerations, the motive underlying this declaration was her own self-interest. The United States, though having no interest in interfering with political affairs in the Far East, had an intense interest in Chinese trade. The prospect of American commerce in the East became more bright after the United States purchased the territory of Alaska, acquired the Philippines and proposed the excavation of the Panama Canal. Should the Western nations be permitted to colonize China, the United States would be the first to suffer from the loss of her immense trade in the future. John Barrett stated in 1899 the reason why the United States should without further delay proclaim the Open Door Policy<sup>1</sup> as the sole means for protecting American commercial interests in China as follows:

"... The tendency of the hour is toward the division of China into spheres of influence of foreign nations, which is only another term for areas of actual supremacy and which will mean the abrogation of the old Tientsin Treaties, which guarantee us absolute freedom of trade throughout China in competition with other nations. Where spheres of influence are admitted and become general, there may be no portion of this great Empire where we will have equal opportunities with others. In each sphere we may find preferential duties or rates in favor of the products of the particular land and against us, which, applied to all spheres, will practically exclude us from a fair participation in the immeasurable growing demands of a country that holds 300,000,000 people and reaches over an area of 4,000,000 square miles.

<sup>1</sup> Speech delivered by John Barrett, U. S. Minister to Siam, at the Meeting of the International Commercial Congress in Philadelphia, 1899. U. S. Bureau of Statistics; *Commercial China*, 1901.

"We have everything to lose and nothing to gain by dividing China into spheres. Now the development of the markets depends upon our own efforts in fair competition with all the world. With China divided we must face individual and collective obstacles of all kinds that arise under the new conditions and treaties.

"Were we for a moment to indicate our acquiescence in such spoliation of this great kingdom, there would follow a scramble and rush for China's rich areas that would astonish the world with its wantonness. . . . There would be little doubt that the great opportunity that awaits us in China will be seized, appropriated, and improved by other nations, which will in the end make us a second-rate power in the Pacific."

In this speech the intention of the American Government to make use of the Open Door Policy as a means to preserve her most-favored-nation treatment in China was frankly expressed. And it was largely due to this underlying motive that the United States was compelled to act. The policy took effect after John Hay became Secretary of State in September, 1898, though the essence of it can be traced back to 1844.

Further assured by "the formal and often repeated declarations of the British and Japanese Governments in favor of the maintenance throughout China of freedom of trade for the whole world," Secretary Hay, accordingly, sent, on September 6, 1899, to the American Ambassadors at London, Berlin, Paris, and St. Petersburg, copies of instructions in relation to the desire of the United States to ask for formal declaration by Great Britain, Germany, France and Russia of the Open Door Policy in the Territory of China.<sup>1</sup> A few months later he sent the same note to Italy and Japan. The three propositions as set forth in these notes are reproduced as follows:—

(1) That it will in no wise interfere with any treaty port or any vested interest within any so-called sphere of interest or leased territory it may have in China.

<sup>1</sup> Hay's Correspondence. Moore, J. B., *Digest of International Law*, Vol V, p. 535 ff.



(2) That the Chinese treaty tariff of the time being shall apply to all merchandise landed or shipped to all such ports as are within such "spheres of interest" (unless they be free ports), no matter to what nationality they may belong, and that duties so leviable shall be collected by the Chinese Government.

(3) That it will levy no higher harbor dues on vessels of another nationality frequenting any port in such sphere than shall be levied on vessels of its own nationality, and no higher railroad charges over lines built, controlled, or operated within its sphere on merchandise belonging to citizens or subjects of other nationalities transported through such "sphere" than shall be levied on similar merchandise belonging to its own nationals transported over equal distances.

Great Britain was the first to accept the proposals of the United States. France followed, then Japan, Italy and later Russia.<sup>1</sup> The response of Germany came last. Nominally, at least, Hay's policy was thus complied with by all the powers concerned.

In the principles of Hay's declaration, we may note three outstanding features. First, it recognized the "spheres of interest" that the powers had hitherto established in China, but in no way were the powers to interfere with the interests vested within their "spheres." Second, it confirmed the sovereignty of China in the collection of the Treaty tariffs within these "Spheres." Third, it did away with economic discriminations which the powers might put on other nations in levying higher harbor dues and railroad fares. It thus put all nations on an equal basis, and was decidedly in accord with the commercial interests of the United States in China.

In order, however, to put the policy on a firm and workable basis, a fundamental prerequisite was required, viz., the independence and territorial integrity of China must be guaranteed. But, meanwhile, Boxer uprisings broke out in

<sup>1</sup> U. S. Foreign Relations, 1899, p. 141.

the Northern Provinces of China; foreign troops rushed to Peking, and Chinese independence reached a critical period. With a view to upholding the policy, the United States first made clear to the other nations the understanding with regard to the territorial integrity and political independence of China before she entered into the settlement of the peace treaty.

After the Boxer trouble all the European nations except Russia seemed for a time to be abiding by the principles of the Open Door. Though Russia had given her pledge to the United States as well as to the world, that the Imperial Government had demonstrated "its firm intention to follow the policy," she did not stand by her words. During and after the Boxer Uprising she attempted through every means to acquire special privileges in Manchuria and to close that territory to all other Nations. Against this Russian aggression Hay made sharp representations by sending notes to the governments of nearly all the European countries and Japan in February, 1902. Without paying any regard to this protest, Russia prosecuted her imperial policy more vigorously than ever. Meanwhile the position of Japan was said to be endangered. For the sake of her own interests Japan declared war upon Russia in 1904. The defeat of Russia at one time eliminated her aggression in North China. But unfortunately Japan came into Manchuria as Russia's successor as a challenger of the Open Door of China.

#### *The Root-Takahira Declaration*

The next chapters in the formal declaration of American policy with reference to the Far East were simply the continuation and re-affirmation of Hay's policy. Whenever the Open Door of China was at stake, the United States seems never to have missed occasion to re-affirm her policy, viz., the Open Door of China or the most-favored-nation treatment of the United States. Thus when Japan after her War with Russia got all the special privileges in Manchuria which Russia previously held, a re-statement of the policy seemed



to the United States to be necessary. This first re-statement came nine years after Hay's exchange of notes. It was in the form of another exchange of notes in November, 1908 between Elihu Root, Secretary of State, and Baron Takahira, Japanese Ambassador at Washington.<sup>1</sup> The notes recognized the growing influence of Japan in the Far East and also the interest of the United States in the Pacific. Their substance was to encourage the free and peaceful development of commerce on the Pacific Ocean, to maintain the *status quo* in that region, to defend the principle of equal opportunity for commerce and industry in China, and to preserve the common interest of all powers—by supporting by all pacific means at their disposal the independence and integrity of China and the principle of equal opportunity for all nations in that empire.

#### *The Lansing-Ishii Agreement*

Nine years passed between the Root-Takahira declaration and a third declaration in 1917 by the Department of State of the United States.<sup>2</sup> The circumstances were different from those in which previous declarations had been made. Japan had entered the World War as an ally of Great Britain. She had wrested Shantung from Germany, and dominated the situation in the Far East. She wanted specific recognition by the United States of her dominant position in Asia. She got it in what was known as the Lansing-Ishii Agreement, an exchange of notes between the American Secretary of State and the Japanese envoy at Washington. This was promulgated in November, 1917. It stated unequivocally that territorial propinquity creates special relations between countries and that, consequently, Japan has special interests in China.

China, of course, was unwilling to be so utterly ignored in

<sup>1</sup> For a full text of the note, see MacMurray, *Treaties and Agreements with and Concerning China*, No. 1908/19, p. 769 ff.

<sup>2</sup> Cf. MacMurray, *op. cit.*, No. 1917/12, p. 1394.

matters affecting her own sovereignty and independence. The Peking Government made public a note in which, following the language of the Lansing-Ishii Agreement "in order to avoid misunderstandings," it declared "the Chinese Government will not allow herself to be bound by any agreement entered into by other nations."

#### *The Far Eastern Problem after the War and the Reaffirmation of the Open Door Policy in the Washington Conference*

The Great War had created in the Far East a very unstable situation. Yet the fundamental issues of the Far Eastern problem in 1920 were virtually the same as those in 1898. They were, first, that China's weakness gave the powers an opportunity to establish various rights in her territory; and second, that a certain power, more imperialistic than the rest, had taken advantage of greater opportunity and established thereby in China a position to the disadvantage of the others—in 1898, that power was Russia, but in 1920 it was Japan. In 1898 the situation was redeemed by the United States by Hay's declaration of the Open Door Policy. In 1920, therefore, it was obvious what the United States should do in conjunction with the interested European nations.

Moreover, the solution of the Far Eastern problem was in fact a prerequisite to the limitation of armaments by the powers. Armaments had been increasing rather than decreasing after the Versailles Peace Conference; their limitation was therefore essential to the effective prevention of a second World War. Realizing the importance of this point, President Harding sent out formal invitations on August 11, 1921, to the Governments of the principal allied and associated powers to participate in the Conference on the Limitation of Armaments and the Discussion of the Pacific and Far Eastern Questions. The Conference was convened on November 11, 1921: nine powers—the United States, Great



Britain, France, Italy, Japan, The Netherlands, Belgium, Portugal, and China participated. The work of this conference is still fresh in our minds and needs no detailed mention here. Suffice it to say that its most important result is the Treaty signed by the nine powers participating in the Conference, with respect to the principles and policies concerning China. In this treaty, the Open Door Policy was for the first time stipulated in an instrument<sup>1</sup> to which China was a party.

Article I of the treaty contains the four fundamental principles according to which the contracting powers should deal with the matters relating to China. It states:

"The contracting powers, other than China, agree:

(1) To respect the sovereignty, the independence, and the territorial and administrative integrity of China.

(2) To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government.

(3) To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China.

(4) To refrain from taking advantage of conditions in China in order to seek such special rights or privileges as would abridge the rights of subjects or citizens of friendly states, and from countenancing action inimical to the security of such states."

Article II reinforces the above principles in the following statement:—

"The contracting parties agree not to enter into any treaty, agreement, or understanding, either with one another, or individually or collectively, with any power or powers which should infringe the principles stated in Article I."

Article III makes a careful definition of the Open Door Policy, as follows:—

"With a view to applying more effectively the principles of the

<sup>1</sup> Text of Treaty, see *Washington Conference Minutes*, p. 1621 ff.

Open Door or equality of opportunity in China for the trade and industry of all nations, the contracting powers, other than China, agree that they will not seek, nor support their respective nationals in seeking: (a) any arrangement which might purport to establish in favor of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China; (b) any such monopoly or preference as would deprive the nationals of any other power of right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government or with any local authority, in any category of public enterprise, or which by reason of its scope, duration or geographical extent is calculated to frustrate the practical application of the principle of equal opportunity."

Article IV dealing with the spheres of influence states:—

"The contracting powers agree not to support any agreements by their respective nationals with each other designed to create spheres of influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory."

Article V relating to the railways provides:

"China agrees that, throughout the whole of the railways in China, she will not exercise or permit unfair discrimination of any kind. . . . The contracting powers, other than China, assume a corresponding obligation in respect of any of the aforesaid railways over which they or their nationals are in a position to exercise any control in virtue of any concession, special agreement, or otherwise."

By these articles the Open Door of China is assured and the most-favored-nation treatment of the United States is secured.

### *The China Trade Act*

The Open Door Policy, so far as it goes, is only a negative measure toward strengthening the hands of American merchants in China. A positive measure taken recently by the American Government toward equalizing the competing power of Americans conducting business in China and toward the further development of American trade with that country is the passage in 1922 by the United States Congress



of a federal trade act, commonly known as the China Trade Act.<sup>1</sup>

"The purpose of this legislation," said Dr. Julius Klein,<sup>2</sup> Director of the Bureau of Foreign and Domestic Commerce, "is to give urgent relief to American merchants engaged in the development of American foreign trade with the Republic of China. Before the European War there were only three or four important American firms located in China. . . . But now the number of those firms, as indicated in the membership of the American Chamber of Commerce of China at Shanghai, has increased from 48 in 1915 to 313 in 1920. . . . In order to make it possible for the United States to enter this expanding field of trade, certain legislative changes are required. It is to meet such needs that the China Trade Act is enacted."

The difficulties which this China Trade Act is intended to overcome were outlined in the report of Mr. Dyer from the Committee on the Judiciary in the House of Representatives and are summarized as follows:

"China is an extraterritorial country, which means that all foreign countries doing business in China must, by treaty, do so under their own laws and regulations. . . . Practically every country interested in the China trade, and this applies especially to our strong competitors, has adopted special laws for the control and promotion of its business in China. America has never done this and as a result American companies doing business in China are subject to the conflicting corporate regulations of the various forty-eight states and our territories. This fact handicaps us specifically as follows:

"First, there is no uniformity, none of the state laws being adapted to foreign trade purposes, and several of the state incorporation laws, being lax, permit the promotion of com-

<sup>1</sup> For a complete text of this Act, see *China Year Book*, 1923, Chapter on China Trade Act.

<sup>2</sup> *The China Trade Act*, *China Review*, N. Y., October, 1922, p. 116.

panies that are very damaging to our prestige with the Chinese business men.

"Second, our chief competitors in China, the British, Japanese and French, have enacted special regulations governing their companies in China, exempting them from the operation of home income and profits taxation. This places the American firm at a distinct disadvantage, since it cannot build up the necessary reserve to carry over the years of depression and uncertainty. In prosperous years the American firm can meet the competitor, but in slack times it goes bankrupt, while our competitors are going along and getting the business.

"Third, the operation of the home income and excess profits taxation under the various state regulations upon our companies in China, prevents the Chinese business men from forming joint enterprises with American business men. The Chinese are now striving to develop their country industrially and are anxious to cooperate with American merchants who are experienced in the management of industries on a modern basis. Since this Chinese capital coming into an American company is taxed the same as the American capital, the Chinese are thus prevented from co-operating with us.<sup>1</sup>

With a view to remedying these difficulties and promoting cooperation between Americans and Chinese, the Act in its present form makes the following provisions:

(1) It provides federal incorporation of American firms doing business in China under a single set of regulations. This eliminates the confusion resulting from the attempt to apply in China under extra-territorial jurisdiction the conflicting corporate regulations of the forty-eight different states, territories and dependencies.

(2) It provides the machinery for the cooperation of

<sup>1</sup> Re-quoted from C. S. Cooper: *Foreign Trade Markets and Methods*, pp. 273-275.



Chinese and American capital in business and development enterprises by permitting Chinese to own the capital stock of such companies up to 49% of its total and encourages such cooperation by exempting the income of the invested capital of the Chinese from all income and excess profit taxes.

(3) It attempts to provide equality of taxation for the American firm in China in its competition with firms of other nationalities which have been granted similar exemptions by their home governments. The tax exemption is only upon the part of each company's business conducted in China, including Manchuria, Tibet, Mongolia and the British Crown Colony of Hongkong and the Portuguese Province of Macao. The exemption is in proportion to the amount of stock in a China Trade Act Company which is owned by Americans resident in China.

(4) It carries strict provisions covering every kind of activity of a company operating under the act, and also provides penalties for violations. All these strict regulations serve to regulate the conduct of American firms in China and to insure the conduct of a legitimate business in accordance with the laws of the United States and treaties of the United States with China. "By guaranteeing that in the commercial activities of these corporations in China a standard will be maintained, these provisions reflect credit upon the companies themselves as on America as a whole."<sup>1</sup>

In spite of these benefits which are said to be derived from this piece of legislation, the China Trade Act in its present form is not free from criticism even from the point of view of Americans themselves. Some of them attack this act constructively, because they do not feel satisfied with the limited exemption from taxation. They maintain that although the act provides much needed administrative ma-

<sup>1</sup> *A Hail of the China Trade Act*, by C. H. Huston, *Weekly Review of the Far East*, Shanghai, September 20, 1922, p. 148.

chinery for the incorporation of American business in China under an American charter, it falls far short of giving that governmental impetus which American foreign trade in China should have. The act may be considered only as a beginning, a stepping stone.<sup>1</sup> The following paragraph cited from an American Review in China, serves to explain this critical view.<sup>2</sup>

"The China Trade Act was intended to give relief to American business in China in regard to its handicap under the federal income tax requirements. Unfortunately, however, Section 21 of that act, which relates to federal taxation of companies incorporated under it, is so limited as to render that piece of legislation impotent in so far as the promised relief is concerned. Only that portion of the capital invested by American residents in China, but not that invested by those resident outside of that country, is exempt from American taxation. Thus, only purely local enterprises can take advantage of this provision. But, as a matter of fact, American capital in substantial amounts must come from the financial centers of the United States. Branch offices and subsidiary corporations, financed by American enterprises and industries at home will not receive any relief from the act, and as a consequence such act will not be an inducement to the placing of large amounts of capital in China."

There is other opposition to the China Trade Act which is negative in character. It condemns this legislation *in toto* because of the fear of American manufacturers that Chinese capital, incorporated under the law, would use American citizens to procure American protection and exemption from both Chinese and American taxation, so that American industries might suffer from this competition of Chinese capital.<sup>3</sup>

<sup>1</sup> See *A Criticism of the China Trade Act*, by Max Shoop, *Ibid.*, November 18, 1922.

<sup>2</sup> *Ibid.*

<sup>3</sup> *The China Trade Act*. *Far Eastern Review*, Shanghai, May, 1922.



To the Chinese this act is really much more objectionable than it is to Americans. Of course, China is willing to cooperate with American capital in developing her own industry and commerce. Yet if this act confers upon Americans the benefits promised by its originator it does so entirely at the expense of the Chinese. Armed with extra-territorial rights, the act leads Chinese capital into the control of Americans by exempting them both from Chinese and American taxation. No greater injustice could have been done to China both from a political and a financial standpoint, when one understands that by this act China will be deprived of her power to tax her own capital within her own territory. The more such "cooperation" between Chinese and American capital develops, the more the public finance of China is deranged.

Moreover, if some of the American manufacturers should fear that those tax-exempt industrial and commercial concerns incorporated under this law will have too much advantage over similar industries and exporting firms at home, the Chinese conducting business under their own laws and subject to the Chinese system of taxation have ten times more reason to fear that by a wholesale exemption of taxation, the China Trade Act corporation will be able to compete most unfairly in China. Diverting a part of Chinese capital to the hands of Americans and thus enabling them to compete in an unfair manner with businesses still remaining in the hands of Chinese is suicidal to the Chinese. The more of such "cooperation" there is, the less chance for the Chinese to develop their own industry and commerce.

Of course, the Americans can justly argue that they have done no more in this piece of legislation than many of the other countries have done. Yet as a good friend of China, the United States is always expected to do what the other powers are unwilling to do—to aid China and not to aggravate her commercial difficulties. In order to promote their trade, Great Britain, Japan, France and some other powers had, at one time or other, demanded leases and con-

cessions from China, created spheres of influence, and adopted other kinds of colonizing policies. In the face of these unjust aggressions, the United States, instead of following others, has ever clung to her traditional policy of the "Open Door" as a measure to give all nations as well as herself an equal chance in the trade of China. In the present case, America is supposed to secure for her own merchants the same privileges of tax exemption as enjoyed by her competitors. But the same end may be attained by advocating the general repeal of the existing extra-territoriality in China, so that trade of all nationalities would come under the same provisions of Chinese law, either taxed or exempt on the same basis. By so doing, the United States would have not only preserved her traditional magnanimous policy but would also have had another chance of securing the good will of the Chinese as she had before when the "Open Door" policy was declared a quarter of a century ago. The Chinese business men and capitalists as well as the government would be much more willing to cooperate with American capital invested in China when they see not harm but benefit is to follow from such cooperation. As any "cooperation" under the working of the China Trade Act, however, would work to the detriment of the existing financial, juristic, industrial, as well as commercial interests of China, patriotic Chinese citizens will undoubtedly do little to aid such "cooperation."



## CHAPTER XVI

### AMERICAN INVESTMENTS IN CHINA

It goes without saying that China with its immense resources awaiting development is a remarkably good field for investment. Being short of funds of her own, she naturally welcomes the inflow of foreign capital. Half a century ago the development of America was achieved largely through the aid of European funds. Now the United States, besides having paid her foreign debts thus incurred, has become the richest country in the whole world. Foreign investments are also responsible for the recent development of South America. Without the importation of European and American capital the South American states could never have provided themselves so quickly and adequately with the means of railway construction and land improvement, and the volume of their foreign trade could not have attained its present size. The case with China at present is just the same as with the two Americas a few decades ago. The writer has already given the reader some idea of the opportunities for foreign investment in that country, and stated how the expansion of China's foreign trade depends upon the development of her agricultural, mineral and industrial resources. These incredibly rich resources can hardly be developed in the near future if China can not get financial help from outside.

Everyone would like to see an increase in the volume of China's foreign trade, because it would be profitable both to the foreign countries trading with China and to China herself. But it is obvious that China's foreign trade can not expand to any appreciable extent, unless her internal development is achieved first. As a matter of fact, the former is a mere function of the latter. Therefore, any nation desirous of carrying on more trade with China can accomplish this end only by extending her the required financial help.

Now the United States has at her disposal the amplest means for investment in foreign lands that any nation has ever had. American industry has already attained its adult stage. Further investment of capital will be handicapped by the working of the law of diminishing returns. American capitalists are, therefore, compelled to seek better opportunities in foreign countries. For the last few decades, South America has furnished such a field of good opportunities. But, that continent is becoming less promising for American investors and traders, as its industry, agriculture and commerce are becoming more fully developed.

As the European War has devastated many parts of Central Europe, it would seem that the United States could find plenty of opportunity for her surplus capital in the reconstruction work of many European countries. But the fact that the extreme social and political unrest in Germany, Russia and many of the Balkan States is not likely to end in the immediate future is a discouraging factor in the estimation of American financiers. Moreover, Europe has already become heavily indebted to this country, and any further extension of credit by the latter is extremely unsafe so far as future repayment is concerned. It is only natural, therefore, that American investors should turn their attention to the Far East in seeking the most promising field for their future commitments.

China, on the other hand, naturally looks to America for financial help in the development of her industry and commerce, in preference to any other country. Formerly, most of the European powers were constantly in a state of keen competition with each other for a share in the financing of China, but since the war, this condition has completely changed. With the tremendous task of reconstruction now in their hands, all of the European powers, with the single exception, perhaps, of Great Britain, have neither surplus funds nor surplus energy to be diverted to the improvement of industrial China. Japan has just suffered an unprecedented catastrophe from the severest earthquake ever



known. Her loss in this calamity was so great that she is now in no better position than France or Belgium after they emerged from the war. Certainly, her own reconstruction work will engage for many years to come the whole energy and resources of her people. China, therefore, can hardly expect any help from Japan, even if she were willing to accept it.

Is it not natural, therefore, that China, with no other country in a situation to give her financial help, should in the near future at least, look to America for means of exploiting her undeveloped wealth?

Since the early stage of American and Chinese commercial intercourse, Americans have been fully aware of the good opportunities offered in China. At different times many attempts have been made to take advantage of these opportunities, but so far, little, if any, success has been achieved. The financing of China's future development has long been an extremely confusing topic of international politics rather than a straightforward matter of business interest; and the writer regards it as very regrettable that the United States should have become involved in the financial complications with the result that, in spite of its past and present advantageous situation in China, it has made no more headway in the matter of financing industrial China than a country in a less favorable position. It is hoped that the United States will cast off the fetters and chains of international politics which it has put on itself as well as on other countries and China in the method of financing. Should these chains and fetters remain, there will, in the writer's opinion, be no hope of successful financing such as would result in any appreciable expansion of American trade with China.

In the following pages the writer will attempt to give a brief historical sketch of the various American attempts at making investments in China. This chapter might more appropriately be called the history of the failure of the United States in financing China. It is not difficult to see from these pages why America has so far failed in her en-

deavor to the regret of China as well, perhaps, as of herself. With the experience of the past, it is earnestly to be hoped that the United States will make certain changes in her financial policy in China in order to facilitate future investments over there to the mutual advantage of both countries.

### 1. Early Financing of Railways in China

(a) *Canton-Hankow Railway Concession.* Among the various opportunities in China as a field for foreign investment, railway construction first attracted the attention of foreign investors. From the close of the Sino-Japanese war until the Boxer Uprising in 1900 the contest to secure railway concessions in China was one of the chief features of the "Battle of Concessions" waged among many European nations.<sup>1</sup> Concessions of railway construction in certain selected parts of China were considered by the powers as an effective means of creating and insuring their respective "spheres of influence." It was not long before the Americans perceived that without taking a share in railway construction they would have an uneven chance for Chinese trade.<sup>2</sup> They, therefore, arranged with the Chinese Government to secure a concession of the Canton-Hankow Railway. This concession was granted to American capitalists in April, 1898, under an agreement executed after due Imperial sanction by the Chinese Minister at Washington.<sup>3</sup> The road was to connect Canton, the great commercial center of South China, with Hankow, the great interior commercial center in Central China. It is about six hundred miles in length and passes through a rich and important agricultural section,

<sup>1</sup> For a historical account of Chinese Railways, see P. H. Kent, *Railway Enterprise in China*.

<sup>2</sup> U. S. Bureau of Statistics (Treasury Department), *Commercial China*, 1901, under the Section of Railway.

<sup>3</sup> *Ibid.* For the texts of the contracts of April 14, 1898, and July 13, 1900, granting the concession for this road, see Rockhill: *China Treaties*, p. 252.



having a population equal to that of the United States at that time, and at its center taps an important iron and coal area.<sup>1</sup> This project at one time constituted what today may be considered the only actual railway concession ever held by American interests in China.<sup>2</sup>

In fact the Canton-Hankow Railway project can hardly be regarded as a concession, but rather as a loan and construction agreement for the building of railways for the Chinese Government.<sup>3</sup> But owing to the fact that the American contractors were not energetic in pushing the work, the project was taken over by the Chinese Government.<sup>3</sup> The failure to complete this project was no doubt very regrettable from the American point of view.

(b) *The Manchurian Railway Schemes of Harriman and Knox.* A second attempt to finance railroad construction in China was made in 1905 by the late Edward H. Harriman, the American railroad magnate.<sup>4</sup> After the close of the Russo-Japanese war Japan was extending its influence in Manchuria at the expense of China and the other non-aggressive powers. The United States, wishing to maintain China's sovereignty in Manchuria and to preserve the open door, suggested to the powers the "commercial neutralization" of the Manchuria railways under an international administration.<sup>5</sup> This proposal was made plainly for the reason that the United States sought to extend its industrial and financial interests in China, more particularly in Manchuria, where she already had an important trade. A few

<sup>1</sup> *Ibid.*

<sup>2</sup> U. S. Bureau of Foreign and Domestic Com., Special Agent Series No. 180. *Far Eastern Markets for Railroad Materials*, p. 109.

<sup>3</sup> *Ibid.* For the text of the agreement between the Chinese Government and American-Chinese Development Company to sell the Hankow-Canton Railway, see MacMurray, *Treaties and Agreements with and Concerning China*, No. 1905/7, Vol. I, p. 519 ff.

<sup>4</sup> United States Foreign Relations, 1910, pp. 231-269.

<sup>5</sup> See, c. s. "Foreign Trade of China," p. 231.

days after the signing of the Treaty of Portsmouth between Japan and Russia in September, 1905, Mr. Harriman concluded a memorandum agreement with the Japanese Representative, Marquis Ito, providing for the American lease of the South-Manchurian Railway which was ceded by Russia to Japan.<sup>1</sup> This line was to be a part of Mr. Harriman's projected belt line of the world. But owing to popular opposition in Japan, the negotiations did not bear fruit and nothing was heard of Mr. Harriman's scheme until 1908.

In December, 1908, negotiations were opened at New York in regard to the Chinese Eastern Railway, which the Russian Government was willing to sell to American financiers, provided Japan would agree to sell the South Manchurian line.<sup>2</sup> But in 1909 Mr. Harriman died and the purchase of the railway was not effected.

In the next year, 1909, however, Mr. Knox, United States Secretary of State, submitted simultaneously to the British, German, Russian, Japanese and Chinese Governments a scheme for the neutralization of the Manchurian railways, but without having previously received Russia's and Japan's acquiescence.<sup>3</sup> The purport of this scheme was a proposal that the powers addressed should authorize the organization of an international syndicate to buy out the Russian and Japanese railway interests in Manchuria. He suggested further that if the powers were unwilling to join in this general neutralization scheme, they should at least unite in the financing and construction of the Chinchow-Aigun Railway.<sup>4</sup> This scheme had a flavor more political than industrial and commercial, and thus aroused the suspicion of Russia and Japan, and was finally rejected by them.<sup>2</sup> Had either Harriman's or Knox's scheme been put into operation,

<sup>1</sup> United States Foreign Trade Relations, 1910, *op. cit.* A detailed account of these negotiations is given in J. O. P. Bland: "Recent Events and Present Policies in China."

<sup>2</sup> *Ibid.*, p. 318.

<sup>3</sup> J. O. P. Bland, *op. cit.*

<sup>4</sup> *Ibid.*, pp. 317 ff.



American capital would have played a significant rôle in Manchuria, North China and Korea. It is possible that American-Japanese cooperation in the Pacific region would have resulted and the situation of the Far East might have been very different from what it is now.

(c) *Chinchow-Aigun Railway Project.* In 1907 the Chinese Government negotiated with the United States, through the American Consul General at Mukden, for the creation of a Manchurian Bank. This institution, financed by American capital, was to be the financial agent of the Manchurian Government, and was to undertake, together with British financiers, the construction of a line from Chinchow to Aigun as well as other important enterprises for the development of the commerce and industry of Manchuria.<sup>1</sup> Subsequently, in 1909, a preliminary agreement to provide for the financing, construction and operation of this road was signed between the Viceroy of Manchuria on behalf of the Chinese Government, an American banking group, composed of J. P. Morgan and Company, Kuhn, Loeb and Company, The First National Bank and the National City Bank, all of New York, and a British contractor, Pauling and Company.<sup>2</sup> But protests made in behalf of other nationalities, especially Japan, at once followed.<sup>3</sup> As a consequence, no final agreement was ever concluded.

## 2. *Financing of Canal Improvement and River Conservation*

Since 1910, following a disastrous flood in the Huai district in the northern part of Kiangsu Province, the Chinese Government, at the suggestion of the American National Red Cross, made an attempt to introduce modern scientific

<sup>1</sup> Overlach, T. W., *Foreign Financial Control in China*, New York, 1919, p. 206.

<sup>2</sup> For text see MacMurray, 1909/2, p. 800 ff.

<sup>3</sup> For these protests, see *The Forum*, N. Y., July, 1910, pp. 74-83.

methods of improving waterways, especially that of the Huai River and the connecting Grand Canal, so as to give them a more efficient outlet and thus to prevent further calamities by floods.<sup>1</sup> Through the effort of this American institution, a loan of three million dollars was arranged in the early part of 1916 between the Chinese National Conservancy Bureau and the American International Corporation for the improvement of that portion of the Grand Canal which is included in the Huai River Conservancy.<sup>2</sup> The agreement was signed on May 13, 1916.<sup>3</sup> At the same time the Provincial Government of Shantung also drew up a scheme for improving the northern part of the Grand Canal by contracting with the same corporation for another loan of three million dollars.<sup>4</sup> But since that time neither of these agreements has been heard from.

On November 20, 1917, after a long series of most complicated and difficult negotiations, another loan agreement was signed between the same parties.<sup>5</sup> This agreement provided for the issue of six million dollars worth of bonds for the improvement of the Grand Canal south of Tientsin in the Provinces of Chihli and Shantung. A party of American engineers arrived in China in September, 1918, and at once began to make the survey and collect the necessary engineering data.<sup>6</sup> It is more than three years since the return of these engineers but there is little indication that the work will be started in the near future. The failure of China to get American help is said to have been due largely to the unstable and chaotic conditions of Chinese political affairs, which discouraged foreign investment.

<sup>1</sup> For text of the agreement, see MacMurray, No. 1910/6; p. 1310 ff.

<sup>2</sup> *China Year Book*, Tientsin, 1923, p. 547.

<sup>3</sup> For text, see MacMurray, No. 1916/6, p. 1304.

<sup>4</sup> *Ibid.*, No. 1916/5, p. 1287.

<sup>5</sup> *China Year Book*, Tientsin, p. 547. For text see MacMurray, No. 1916/5, p. 1296 ff.

<sup>6</sup> *Ibid.*



3. *Financing Other Industrials in China*

(a) *The Proposition for the Exploration and Operation of Petroleum Oil Fields.* Since an early period it has been known that petroleum exists in Chihli and Shensi provinces. With a view to exploiting this source of wealth, a contract was signed in February, 1914, between the Chinese Government and the Standard Oil Company of New York for the exploration and operation of these oil fields.<sup>1</sup> According to the agreement, the company was to send experts to make a detailed investigation of the oil fields, and if it should be demonstrated to be profitable, a Sino-American Joint Stock Company was to be organized for its operation.

Subsequently, in 1914, investigations were conducted at many places but according to the Standard Oil experts the deposit was a shallow one. Seven wells were sunk in succession and although oil was seen no oil spring was discovered.<sup>2</sup> In the spring of 1916, boring operations were therefore stopped.<sup>3</sup> Accordingly, the agreement previously entered into was cancelled.

(b) *Contract for Erection of Wireless Stations.* On January 8, 1921, an agreement was made between the Chinese Ministry of Communications and the Federal Telegraph Company, an American corporation, for the erection and operation, as a joint enterprise of the Chinese Government and the American company, of stations for wireless communication.<sup>4</sup> The agreement provided for the erection of a very high-power wireless station at Shanghai, and less powerful stations at Peking, Hankow, Canton and Harbin. It so happened that the Chinese Government had in previous years concluded contracts with the Mitsui Company of Japan

<sup>1</sup> For full text, see MacMurray, No. 1914/3, pp. 1109 ff.

<sup>2</sup> Note of Ministry for Foreign Affairs of China to the American Legation at Peking, April 7, 1917. See MacMurray, p. 1111.

<sup>3</sup> *Ibid.*

<sup>4</sup> *China Year Book*, Tientsin, 1923, Chapter XVII, p. 440.

and the Marconi Wireless Telephone and Telegraph Corporation of Great Britain for the erection of some other wireless stations in China, and had agreed to give them certain time privileges.<sup>1</sup> Both of these companies, through their respective governments, sent protests to the Chinese government against this agreement with the American company, claiming that by granting to the American company the right of participation, their rights under prior contracts were violated. The American Government, however, declined to recognize the validity of such claims by reason of their contravening the treaty rights of American citizens in China and the principle of the "Open Door," and assured the Federal Wireless Corporation of its support.<sup>2</sup> The dispute has been going on for more than two years, and is still pending (1924). The Radio Corporation of America is now behind this activity and it therefore is indicative of the development of an intense American interest in trans-Pacific communications backed by the American State Department.

4. *American Share in the International Financing of China*

In connection with the financing of Chinese enterprises by individual foreign countries, both China and foreign financiers have been very frequently confronted with the difficulties which result from international financial competition, with its struggle for "spheres of interest" and national "control." Due to mutual jealousy and therefore frequent conflict between the capital interests of the different powers, most of the financing propositions have proved unsuccessful. Realizing such a difficulty, those powers that have commercial relations with China in the early years of the present century came to a mutual understanding that international cooperation, instead of competition, should be the guiding

<sup>1</sup> *Op. cit.*, p. 441.

<sup>2</sup> See correspondence between the Chinese Minister at Washington and the United States Secretary of State, *Ibid.*, p. 441.



principle in the financing of China. Mr. Knox's plan to internationalize the railways in Manchuria<sup>1</sup> is an early evidence of American willingness to enter into such cooperation.

(a) *Hukuang Railway Loan.* The first international railway agreement was made in 1908 between the Chinese Government and the Anglo-German banking concerns, for the construction of the Tientsin-Pukow Railway.<sup>2</sup> Negotiations were conducted in the winter of 1908-1909 between the British, German and French banking groups and their respective governments with a view to reaching an understanding as to the degree of "control" to be demanded from China as a condition precedent to future loans.<sup>3</sup> These negotiations were for a loan to construct both the Canton-Hankow and Hankow-Szechuan lines, or, as they are called collectively, the Hukuang Railways.<sup>4</sup> At this point the United States government interfered on the ground that American financiers had secured, in 1904, a promise from the Chinese Government that in the event of the floating of foreign loans for the Hupeh section of the Szechuan road China would consult first the United States and Great Britain.<sup>5</sup> Inasmuch as the United States had not officially relinquished her right to participation, the American Government now demanded the admission of an American banking group. Mr. Knox, then Secretary of State, supported his demand by pointing to the "menace to foreign trade likely to ensue from the lack of proper sympathy between the powers most vitally interested in the preservation of the principle of equality of commercial opportunity," adding that "the Government of the United States regards full and frank cooperation as best

<sup>1</sup> *Supra.*

<sup>2</sup> For text see MacMurray, No. 1908/1, p. 684 ff. For a detailed description of this agreement, see T. W. Overlach, *Foreign Financial Control in China*, N. Y., 1919, pp. 221 ff.

<sup>3</sup> W. Straight, *China's Loan Negotiations*, p. 113.

<sup>4</sup> MacMurray, No. 1911/5, p. 880.

<sup>5</sup> See United States Foreign Relations, 1909 (Vol. 5704), pp. 144 ff.

calculated to maintain the open door and the integrity of China and . . . the formation of a powerful American, British, French and German financial group would further that end."<sup>1</sup>

Due to the personal interference of President Taft,<sup>2</sup> the "Tripartite Banks" invited the American group, in May, 1910, to join them in the combination which they had effected the year before. This invitation was accepted and an inter-group agreement was signed in November, 1910.<sup>3</sup> The final agreement for the Hukuang loan was signed with China by representatives of the four-nation syndicate on May 20, 1911. It provided for a loan of £6,000,000,<sup>4</sup> which was to be obtained by selling the Imperial Chinese Government Five Per Cent Hukuang Railway's Sinking Fund Gold Loan. The construction of the Hukuang railways, however, made but little progress owing to the political and financial state of China during the following revolution.

(b) *The Currency Reform Loan.* The notoriously bad and confusing silver currency system in China has long worked to the extreme hardship of Chinese as well as foreign merchants in their trade dealings. To facilitate their transactions, therefore, some American business men expressed their willingness to extend China financial help to effect an early monetary reform. A preliminary agreement was therefore arranged, in 1910, between the Chinese Government and an American group composed of the four big banking houses to issue and sell American Chinese Government Sinking Fund Gold Bonds to the amount of fifty million dollars.<sup>5</sup> But a little later, at the instance of the American group and

<sup>1</sup> *United States Foreign Relations*, 1909 (Vol. 5704), p. 152.

<sup>2</sup> See Overlach, *op. cit.*, Ch. VII.

<sup>3</sup> For text, see MacMurray, 1910/5, p. 828 ff; also see the *Far Eastern Review*, Vol. XIII, p. 83.

<sup>4</sup> MacMurray, 1911/5, p. 866; also see *Far Eastern Review*, Vol. XIII, Suppl. August, 1911.

<sup>5</sup> MacMurray, No. 1911/2, p. 851.



upon the solicitation of the American Government, the Chinese Government consented to the participation of the British, French and German banks, and the so-called "Four-Power Consortium" was thus formed.<sup>1</sup> On April 15, 1911, a formal agreement was reached between the Chinese Government and the Consortium, authorizing the issue by the four groups of bankers of a Five Per Cent Sinking Fund Gold Loan for an aggregate amount of £10,000,000.<sup>2</sup> However, the outbreak of the Chinese Revolution in August, 1911, against the Manchu Dynasty intervened before satisfactory arrangements had been completed for the flotation of the loan under the terms of the agreement. Under the altered conditions resulting, the "Four-Power Consortium" postponed further action on this project, in order to undertake a reorganization loan required by the newly established republican government.

(c) *The Reorganization Loan.* After the outbreak of the Revolution in 1911, the Chinese Republican Government faced a serious financial stringency and was compelled to ask help from outsiders. On February 27, 1912, Mr. Tang Shao-yi, then Premier of China, discussed with the Quadruple Syndicate the question of a general Reorganization Loan.<sup>3</sup> To enforce the broadest possible internationalization of Chinese financing, the syndicate decided at this time to strengthen its position by inviting the cooperation of Russian and Japanese financiers.<sup>4</sup> But the terms as proposed by the Six-Power Syndicate to the Chinese Government as a basis for making the loan were highly objectionable to China. Some of them were briefly: (1) that China should

<sup>1</sup> See MacMurray, footnote on p. 851.

<sup>2</sup> For full text, see MacMurray, No. 1911/2, pp. 841 ff.

<sup>3</sup> For further details of the negotiations, see Overlach, *op. cit.*, pp. 236-260.

<sup>4</sup> An agreement between the banking groups of the Six Powers was signed, in regard to this loan, June 18, 1912. See MacMurray, 1913/5, p. 1021 ff.

herself create a system of audit in which foreigners should be employed with powers not merely advisory, but also executive so as "to ensure the effective expenditure of loan funds" borrowed for such purposes as might be specified in the loan agreement; (2) that the administration of the Chinese salt tax, which was to be the security of the loan, should be put under foreign supervision, and (3) that for a period of five years China should appoint the group's financial agents to assist in the administration of its work of reorganization.<sup>1</sup>

It was during this time, when very strong opposition to such unendurable terms of foreign supervision was coming from nearly all parts of China, that the sextuple group dwindled into the quintuple group, as a result of the withdrawal of American banking interests from participation.<sup>2</sup> This was brought about by the same sort of opposition from the Wilson Administration to the so-called "dollar policy" which had been initiated under the Taft regime. In a very clear statement, permeated by an admirable spirit of sympathy for the Chinese people, President Wilson announced that the Government of the United States would not accept any responsibility for or exercise any authority in connection with the Six Power Loan to the Chinese Republic.<sup>3</sup> President Wilson felt that the American Government was not justified in taking an official or even a semi-official part in such a loan. He criticized some of the conditions of the six power loan, but his main objection is found in the following words:

"The responsibility on its (American Government's) part which would be implied in requesting the bankers to undertake the loan might conceivably go the length, in some un-

<sup>1</sup> W. Straight: *China's Loan Negotiation*, p. 142 ff.

<sup>2</sup> See *China Year Book*, 1914, p. 379 ff.

<sup>3</sup> For text of the statement, see MacMurray, No. 1913/5, p. 1025; also see *Commercial and Financial Chronicle*, Vol. 96, pp. 824-826, 1913.



happy contingency, of forcible interference in the financial and even the political affairs of that great Oriental state just now awakening to a consciousness of its power and its obligations to its people. . . . The responsibility on the part of our government implied in the encouragement of a loan thus secured and administered is plain enough, and is obnoxious to the principles upon which the government of our people rests."<sup>1</sup>

The American group thereupon formally withdrew in March, 1913, from further participation in the currency loan and the Reorganization loan. But in spite of this withdrawal, the American Government has maintained its interest in the project of China's currency reform.<sup>2</sup>

(d) *Japan's Proposal for Cooperation with America*. The outbreak of the World War in 1914 enabled Japan to increase her influence in China very rapidly by taking over the German holdings and by forcing the infamous Twenty-One Demands upon the Chinese Government. She hoped to control the future industrial development of China and to monopolize the profits therefrom, but in doing so, a huge sum of capital was required which Japan was not in an easy position to supply. The Japanese, therefore, advanced a plan of cooperation with American capital. In the fall of 1915 Baron Yei-ichi Shibusawa, the leading financier of Japan, was delegated to the United States as a national spokesman.<sup>3</sup> While in America the Japanese financier repeatedly told the Americans that they should cooperate with Japan in the "peaceful exploitation" of China. He also pointed out to the American capitalists

<sup>1</sup> C. S. See: *The Foreign Trade of China*, p. 246 (N. Y., 1919).

<sup>2</sup> See MacMurray, *op. cit.*, also see W. W. Willoughby, *Foreign Rights and Interests in China*, p. 99 ff.

<sup>3</sup> See MacMurray, footnote on p. 851. The Reorganization Loan was finally signed at Peking on April 26, 1913, between the Chinese Government and the banking groups of the five nations. For text see MacMurray, 1913/5, p. 1007 ff. For further details, see Overlach, *op. cit.*, p. 257 ff.

the great importance and absolute necessity of cooperation between American capital and Japanese management. For if the United States should fail to adopt this plan, he candidly told the Americans "Our activities in the Chinese market might lead to hostile competition, mutual distrust and bitter animosity which might be mutually disastrous."<sup>1</sup> This means that today, if America wants to invest money in China she will have to do it through Japan. If she should attempt to enter China independently, trouble might ensue.

But both the Americans and the Chinese looked upon this proposal with much disfavor. It was said Japan was not aiming at cooperation, but rather at exclusion.<sup>2</sup> Japan knew that for the development of China foreign capital was absolutely necessary, but if money was permitted to enter there freely from America or Europe, it would lessen her increasing control over China. Japan, however, could not provide the required capital and she fully realized that her position was not yet such as would enable her to slam the door hard and fast against entrepreneurs from the West. Therefore, she proposed to America, and also to Europe, that if they wished to participate in the great economic transformation of China, they should place their investment there under Japanese control.

(e) *The New International Banking Consortium Under American Leadership*. Although the United States had refused to accept Japan's proposal, she realized that it was equally unwise to give a free hand to Japan in loaning money to China. The Six Nation Consortium became a quintuple group after the withdrawal of the United States; but with the outbreak of the war and the downfall of the Czar's government German and Russian interests ceased to exist in the consortium. This left only Great Britain, France and Japan.<sup>3</sup>

<sup>1</sup> *Far Eastern Review*, Shanghai, May, 1915, pp. 487-491.

<sup>2</sup> *Ibid.*, p. 248.

<sup>3</sup> W. W. Willoughby: *Foreign Rights and Interests in China*, p. 499 ff.



But during and immediately after the war, Great Britain and France had become so exhausted financially that they were unable to extend any loan to China. As a matter of fact Japan had been monopolizing the privilege as a lender and had made many loans to finance the warring Chinese factions both to the harm of China herself and to the disadvantage of other investors.

The United States, therefore, wanted to correct the monopolistic situation of Japan, when China needed outside financial help to declare war against the Central Powers. In July, 1918, the Washington government approved a loan to China to be made by a syndicate of American bankers, in association with the bankers of Great Britain, France and Japan in order that China might be enabled "so to equip herself as to be of more specific assistance in the war."<sup>1</sup> An agreement was entered into between the American bankers and their Department of State. The most salient feature of this agreement was that the Department gave assurances to these financiers that if the terms of the loan were accepted by the United States and China, the government would be willing to aid in every way possible, to make prompt and vigorous representations, and to take every possible step to insure the execution of equitable contracts made in good faith by its citizens in foreign lands, in order to encourage and facilitate the free intercourse between American citizens and foreign states which was mutually advantageous.<sup>2</sup> This was the most positive assurance of governmental backing to private investment business, and was then regarded as containing great promise for the extension of American trade and investment in China and for the securing of a place in the Chinese market in the severe post-bellum competition for trade.

With a view to maintaining the Open Door policy perma-

<sup>1</sup> Cf. *The Commercial and Financial Chronicle*, N. Y., Vol. 107, 1918, p. 445.

<sup>2</sup> *Ibid.* Also cf. *The Annalist*, N. Y., Vol. XII, p. 123.

nently, and assuring the "big powers" an equal chance in China, the United States Government went a step further in the proposal to organize the so-called New International Banking Consortium. In 1913 President Wilson announced the withdrawal of the United States from the Six-Power Consortium for reasons already stated. But after only five years the Wilson Administration itself adopted a scheme essentially the same as that so justly criticized by the President.

The New International Banking Consortium was proposed by the United States in 1919. The governments that the United States approached and finally agreed to the scheme were Great Britain, France and Japan.<sup>1</sup> The purpose of this new institution was to finance all future loans to China, industrial as well as political, with, as the American bankers stated it, a view "to help China in the establishment of her great utilities such as the building of her railways, canals, etc., thereby assisting in stabilizing China economically and financially, and making that field a safer one for the initiative of our citizens in private enterprises in commerce, industry, et cetera."<sup>2</sup> One of the conditions was held by the American bankers to be that "there should be a relinquishment by the members of the group either to China or to the group of any options to make loans which they now hold, and all loans to China by way of them should be considered as Four-Power group business."<sup>3</sup>

With regard to government support, the American proposal to pledge "each government to the support of its respective national group rather than to the consortium collectively," was approved by all participating nations.<sup>4</sup>

<sup>1</sup> For full documents and correspondence between the United States and other countries, *China Year Book*, 1921.

<sup>2</sup> Secretary Hughes's letter to the American Group of the Chinese Consortium, March 23, 1921.

<sup>3</sup> American Bankers' Letter to Secretary Lansing, July 8, 1918.

<sup>4</sup> For the full correspondence and negotiations between the powers, cf. *Documents Relating to the International Banking Consortium*, published by Peking Bankers' Assoc., China, 1921.



However plausible this scheme for the international financing of China might seem to be, the new consortium has remained practically moribund since its formation in 1920. It has not yet concluded a single successful negotiation for any large scale enterprise in China. The five-year duration of the consortium as originally stipulated in the agreement will soon expire, and we may perhaps with some certainty prophesy that the scheme will, like most of the other international propositions, end in complete failure.

The failure of this international scheme may be largely accounted for by the opposition of China to the method of financing, and her refraining from asking any loan of the Consortium. It is not to be understood that in her refusal to have any dealing with the Consortium, China is ungrateful to America for the latter's desire to help her. While it is honestly believed by the Chinese people that the new financial machinery set up under the leadership of the United States might ultimately work for the benefit of China, it is not surprising that the Chinese people fear the possible grave consequences of such a method of financing that has the backing of the four controlling political bodies of the world. Much of their opposition is, in the last analysis, not so much to the Consortium as to the fact that it may tend to infringe upon China's sovereign rights by taking China's public finances under foreign supervision, and by granting the land tax of the nation as security for the loan. So long as foreign investment has more of a political than a business flavor, the Chinese will be unwilling to accept the loaning terms, feeling as they do that it is better to remain in national poverty than to suffer from a foreign financial yoke.

Secondly, the Chinese people object strongly to the monopolistic character of the Consortium. Had the Consortium laid down new rules for the game of international finance in China on a basis of free, fair and friendly competition untainted with diplomatic pressure or political co-

ercion, it could not have failed to be "a potential instrument for good," to use the expression of Sir Charles Addis, representative of the British banking group in the consortium.<sup>1</sup> The different banking groups went ahead to combine all their so-called "vested interests" in a consortium of four powers, only at the expense of an open door for other nations. Although such a common pool would insure for the four national banking groups the privilege of equal opportunity, it could be attained only at the expense of China's right of free bargaining. Furthermore, in designating "loans of a public character" emanating from the Chinese Government as its exclusive option, the Consortium has in effect substituted for the regional spheres of interest a fiscal sphere of interest. It is an absolute banking combination, a credit monopoly, so complete and overwhelming that little freedom would be left to China as a money borrower.

The practical business situation, therefore, is that the whole large-scale development of new hopeful, helpful business for the world has been stopped in China. Many enterprises in China are impatiently waiting for outside investments to start business. Yet no one in China is willing to see his government financed by the said Consortium. Commenting upon this situation, the *New York Globe* made the following laconic yet pertinent statement:

"The four great governments—American, British, Japanese and French—have put the Consortium at the door of China. The consortium holds the door. It cannot open it, because the Chinese do not like its method of opening it. What we have is the consortium as door-keeper and the door fast shut."<sup>2</sup>

<sup>1</sup>In his speech at the Annual Dinner of the China Association, *Chinese Students' Monthly*, N. Y., *op. cit.*

<sup>2</sup>Urging Americans to leave Consortium to Develop Trade with the Chinese. *New York Globe*, reprinted by *China Review*, New York, December, 1921, p. 395.



Having this difficult situation in view, the New York Globe also raises the following questions:

"Might it not pay the United States, and might it not pay China, and might it not pay the world if the United States would get out of this theoretically beautiful but apparently practically useless financial internationalism and go into China with its own American financial resources and there play its own American financial hand without unfairness to other nations but with a vigorous and prompt development of its own interests and of China's interests?"<sup>1</sup>

5. *Recent Prospects of American Investment in Private Enterprises in China: The Opportunity of an Edge Law Bank in the Far East*

Up to the present nearly all the large-scale attempts to finance China have been of a public nature. They consist of dealings either between the American and Chinese Governments or between the Chinese Government and the American banking group. Little has been done by American individual businessmen to finance or establish private industrial enterprises in China. The reason for their inactivity is two-fold. First, it is contrary to the traditional policy of the United States to have her nationals establish industrial enterprises in foreign countries. Although by the treaty of 1880 China gave to Great Britain the privilege of establishing manufacturing concerns in her territory, the United States declined to claim the same right by the most-favored-nation clause. The reason for this procedure was given by President Arthur in his annual message of December 4, 1883:

"While it is the duty of the Government to see that our citizens have the full enjoyment of every benefit secured by treaty, I doubt the expediency of leading in a movement to constrain China to admit an interpretation which we have only an indirect treaty right to exact. The transference to China of American capital for the employment there of

<sup>1</sup> *Op. cit.*

Chinese labor would in effect inaugurate a competition for the conduct of markets now supplied by our home industries."<sup>1</sup>

Secondly, the United States has lacked the mechanism to facilitate and encourage private investment in foreign lands. Until recently in 1914, American national banks were not allowed to establish branches in foreign lands, and those engaging in foreign banking operations were not allowed to sell their bonds in the home country nor to discount their commercial paper at the Federal Reserve Bank. As a result the American individual investors found much difficulty in putting their money into foreign private enterprises, especially when the latter were of small size and not well known in the world stock market.<sup>2</sup>

Recently, however, the necessity of making investments in private business in China has become obvious. As the nationals of Great Britain and Japan and, before the World War, of Germany, have invested a great deal in private industries in China, the United States is compelled to follow their track, or she will lose her share in the international competition for China's trade. On the other hand, private investment in China is largely non-competitive with American home industry.

In order to facilitate private investment and financing in foreign countries, the United States Congress passed in 1919 a special act known as the Edge Law, providing for the incorporation of banks to engage in foreign banking and financial operations. This act provides for the creation of a system of banks as a part of the American Federal banking machinery, authorized to deal in foreign securities, in addition to their equally important function as financiers of

<sup>1</sup> Moore: *A Digest of International Law*, V, p. 450. Also cf. United States Foreign Relations, 1883, p. XIII, 1887, pp. 87-92.

<sup>2</sup> For a fuller discussion on this point, cf. Reed: *The Development of the Federal Reserve Policy*, 1922.



foreign trade.<sup>1</sup> The need and the opportunity for such an American bank in China has long been apparent because it is required to fulfill in China the functions of what are known in America as investment banks or bond houses.

"There are two methods by which the investment operation may be handled. The bank may either buy Chinese bonds, for example, and sell them direct to investors in America, or it may take such securities and pledge them as collateral, issuing its own debentures."<sup>2</sup>

"The Law authorizes the ownership of Edge Law Bank stock by foreign individuals or corporations up to 49% of the total. This makes it possible for such a bank, while holding an American Federal Charter, to be an international cooperative enterprise. It would allow Chinese banks, manufacturers, exporters, and importers to become stockholders along with similar American interests in financing the industrial and commercial enterprises in China, and would also allow Chinese capital to share in the profits arising from the industrial development of their own country."<sup>3</sup>

Such a method of private financing is the very kind that the Chinese most welcome. Yet the extent of the success of such an investment mechanism has still to be demonstrated. Of course Chinese capitalists have always been desirous of cooperating with Americans in developing the resources of their own country. But as long as extra-territoriality in China remains, thoughtful and careful Chinese will never be willing to admit foreign partners freely into their business. According to the regulations of most Chinese industrial companies, the sale of even one share of stock to any one except a Chinese citizen is strictly prohibited because the Chinese always fear, not without good reason, that interference from foreign governments and officials may be aroused on any trifling pretext, and the effect of Chinese civil and com-

<sup>1</sup> Cf. Chapter 17, *infra*.

<sup>2</sup> *China Review*, New York, January, 1923, *Edge Law Bank in the Far East*, by C. M. Bishop.

<sup>3</sup> *Ibid*.

mercial laws be thus nullified and their own interest endangered.

In concluding this chapter, the writer wishes to state his personal opinion regarding the scheme of American investment in China, both public and private. With regard to public financing, the procedure should be plain and simple, without any political flavor or any monopolistic character. If the financing of railroad construction in China is conducted by foreign governments rather than by foreign capitalists and entrepreneurs, the Chinese will never conclude a loan without great scruples and much hesitation as to the grave consequences which might result therefrom through impairing Chinese sovereignty and independence. For this sole reason public opinion in China has always been strongly opposed to any kind of foreign loan, even though the Chinese realize the tremendous necessity of foreign help. They weigh both the advantages and the disadvantages of an undertaking and decide to take the less disadvantageous step. If the delay of the development of China is a real disadvantage to the Chinese, the international control of their public finance would be ten times more disadvantageous than the other alternative; they therefore have no hesitation in choosing the negative procedure.

Toward the procedure of private investment the Chinese have a more favorable attitude, yet so long as Americans in China are governed by a set of laws different from their own and are under the jurisdiction of American government representatives, they are literally nothing short of "outlaws" from the Chinese point of view. The Chinese will never accept them freely into their business for the fear of foreign interference. How were American enterprises financed by European capital in the latter half of the nineteenth century? How have the South American States been developed by American and European capital? The Chinese dislike being treated differently from the way in which Americans have



been treated and have treated others. If all discriminations against China were removed, and the United States would treat China just as she treats South America in the matter of private investment, there is no doubt that a considerable amount of American capital would at once be absorbed by China, and in return, China would be able to pay a handsome profit on American capital. Furthermore, should American capital be successfully used in improving industrial China, American trade with China would expand beyond any assignable limit, owing to the increased purchasing power of the Chinese people, the increasing demand for American machinery and equipment, and the increasing output of such materials as are in great demand in America.

## CHAPTER XVII

## AMERICAN BANKING INTERESTS IN CHINA

Although Americans have been actively engaging in trade with China for a hundred and fifty years, the development of American banking interests in that country has lagged far behind. Even today American banking facilities over there are still "so small as to be out of all proportion to the American share in the internal and foreign commerce of China, or in proportion to American interests in that part of the world."<sup>1</sup> "Of recent years the part played by American banks has been increasing in importance, but, with the exception of exchange banking, American banks in China are still in such a position as to be able to handle only a very small portion of the possible American business there. American commercial interests have not had the banking facilities provided for them that competitors of other nationalities have. Broadly speaking, American banks in China are foreign exchange institutions. They do a general business, but with few exceptions they major in exchange business."<sup>2</sup>

It is owing to the lack of an adequate banking and financing mechanism that America has many times lost out in competition with other nations in China. Such American banks as had been established there were unable to handle the finances, and, as has been stated above, it was mainly in the control of industrial development in China by European capital that America had been defeated in the Chinese market before and after the Russo-Japanese War.<sup>3</sup> This is particularly true as regards contracts for railway construction. "Out of an estimated total of 7,500 miles of railway con-

<sup>1</sup> *China Review*, N. Y., July, 1923, p. 354.

<sup>2</sup> *Weekly Review of the Far East*, Shanghai, June, 1923, suppl. p. 10.

<sup>3</sup> Chapter III, Third Period, *supra*.



cessions granted before December 1, 1898, the Americans had actually accepted or secured only three hundred miles. They had lost several times as much through inability to provide capital on acceptable terms."<sup>1</sup>

Realizing the importance of banking facilities in connection with their trade and investment in the Far East, the Americans had made several attempts in the latter decades of the nineteenth century to organize American banks, but without success. The first attempt was made as early as 1887, which was a year of great activity among foreign investors in China. The Chinese-American bank as projected by the Philadelphia Syndicate was a big financial proposition, but unfortunately, it failed to materialize.<sup>2</sup>

It was not until the dawn of the twentieth century that the first American bank was installed. In 1901 the International Banking Corporation of New York opened its office in Shanghai as the pioneer of the American banks in China.<sup>3</sup> The Guaranty Trust Company of New York followed suit at almost the same time, but its branch was taken over by the International Banking Corporation after a brief period of operation.<sup>4</sup>

In the same year the latter corporation opened another branch in Hongkong,<sup>5</sup> and a year later, another in Canton. For the next five years, there was no further development. But in 1907 two more branches—one in Peking, the other in Hankow—were installed by the same corporation.<sup>6</sup> One can readily see how inadequate were American banking

<sup>1</sup> Dennett, Tyler, *Americans in Eastern Asia*. Mr. Dennett mentions several cases in which this actually occurred.

<sup>2</sup> Cf. Chapter on Investment, *supra*.

<sup>3</sup> *American Banks in China, Weekly Review of the Far East*, Shanghai, June 30, 1923. Suppl. p. 11.

<sup>4</sup> *Ibid.*

<sup>5</sup> Since the British Colony of Hongkong is usually considered in the commercial field of China, it is referred to as a part of China in this chapter.

<sup>6</sup> *American Banks in China, Ibid.*

facilities in China, when he learns that it was these five branch banks that were to take the responsibility of financing the growing import and export trade between China, Hongkong and America, which during this period amounted annually to an average of no less than one hundred million dollars.

Owing first to the rapid expansion of Chinese-American trade after the outbreak of the European War, and second, to the increased difficulty of financing trade by the banks of other nations in China, the Americans have greatly extended their banking facilities since 1917. In that year the American-Oriental Banking Corporation was established in Shanghai. In 1918 the American Express Company of New York entered the banking field in the Far East by opening two branches in Shanghai and Hongkong. The next year the Asia Banking Corporation opened seven others, and the Chinese-American Bank of Commerce, a Sino-American institution, was incorporated under a special charter of the Chinese Government. In the following two years more banks were installed, and at the present time there are twenty-eight American banks in China, including the Sino-American institutions. These twenty-eight banks belong to six organizations, only one of which, viz., the International Banking Corporation, was in the field five years ago. A summarized history of these banks is presented in the following table:<sup>1</sup>

<sup>1</sup> The following is a little sketch for each of these banking organizations quoted from the same sources:

The International Banking Corporation (capital and surplus \$10,000,000; undivided profits \$3,200,000)\* and the Asia Banking Corporation (capital \$4,000,000; surplus and undivided profits \$1,489,362) are strong factors in the foreign exchange business of China. These two organizations, especially the former, have been largely responsible for the internationalization of the competition in

(Continued on page 327)

\* These and following figures are 1921 figures based upon a list of American banks in the Far East published in the *Far Eastern Fortnightly*, N. Y., May 23, 1921, p. 5.



Name of Organization	Home Office	How Organized	Nature of Business	Branches in China	
				Location	Date established
1. International Banking Corporation	New York	Under the law of Conn.	Foreign exchange banking a specialty	Shanghai	1901
				Hongkong	1901
				Canton	1902
				Hankow	1907
				Peking	1907
				Tientsin	1918
				Harbin	1919
2. American Express Company	New York	Under the law of Conn.	Banking, shipping and travel	Dairen	1923
				Shanghai	1918
				Hongkong	1918
				Peking	1921
				Tientsin	1921
3. Asia Banking Corporation <sup>1</sup>	New York	Under law of New York	Foreign exchange banking a specialty	Shanghai	1919
				Hongkong	1919
				Hankow	1919
				Tientsin	1919
				Peking	1919
				Canton	1919
4. American-Oriental Banking Corporation	Shanghai	Under law of Conn.	General banking	Shanghai*	1917
				Chungking	1922
				Foochow	1922
5. Equitable Eastern Banking Corporation	New York	Under law of New York	International banking a specialty	Shanghai	1921
6. Chinese-American Bank of Commerce	Peking	Under a special charter of Chinese Government dated April 12, 1919	Commercial banking	Peking*	1919
				Shanghai	1920
				Hankow	1920
				Tientsin	1920
				Tsinan	1920
				Harbin	1921
				Shikaichwang	1921

<sup>1</sup> In December, 1923, the Asia Banking Corporation was absorbed by the International Banking Corporation.

\* These two are head offices.

Data compiled from the following sources: *American Banks Taking Their Place in China*, by R. C. Bennett, Weekly Review of the Far East, Shanghai, June 30, 1923, supplement, p. 10 ff. *American Banks in the Far East*, Far Eastern Fortnightly, N. Y., May 23, 1921, p. 5.

It is predicted that further progress in the development of American banking in China may be expected in the near future, if political and commercial conditions there improve to a degree sufficient to encourage healthy development. Banking institutions already represented there have plans for the opening of new branches and general broadening of their fields of activity and influence, and new organizations contemplate entering this field.

With the passage of the Edge Law by the American Congress, a new era has dawned upon American banking

*Note continued from page 325:*

the foreign exchange business. Their business is not confined exclusively to foreign exchange, but that is their chief interest.

The American Express Company as a banking organization in China is a part of the American Express Company as a shipping, travel, and banking organization throughout the world. Largely as a result of the business developed through its travel department, the American Express Company does a substantial banking business, particularly exchange business.

The American-Oriental Banking Corporation, which belongs to a chain of affiliated American enterprises in China, interests itself more in the field of domestic banking and interior exchange in China. (Paid up capital, \$409,950; undivided profits, \$37,454). This chain of banks is distinctive among the American organizations in China. The American-Oriental Bank of Szechwan, which is in Chungking, the city at the head of the Yangtze River navigation, may be considered as occupying the frontier position, as it is the farthest inland of all the American banks in China.

The branch of the Equitable Eastern Banking Corporation (capital \$4,000,000; surplus and undivided profit \$754,000) is especially prominent in the silver business. Enormous shipments of silver are handled through this bank.

The Chinese Bank of Commerce (capital authorized, \$10,000,000; paid up, \$5,000,000) is relatively young. It entered this field for the purpose of supporting and furthering American and Sino-American enterprises in China and facilitating the sale of Chinese securities in the United States. According to the announcement of the management the extension of this business with branches throughout the whole world is contemplated.



interests in China. The so-called Edge Law banks, to be incorporated under this act, are intended to constitute a system as a part of the American Federal banking machinery. They are designed to assist in the development of American foreign trade, as the Federal Reserve banks have done in the development of American domestic trade. Their acceptances are eligible for purchase by the Federal Reserve Banks and their stock eligible for purchase by American national banks.<sup>1</sup>

As importers and manufacturers in the Far East are generally short of funds, the extension of longer term credits is a prerequisite condition to their buying goods from abroad. Those countries able to offer them longer terms of credit will get their trade, while those unable to do so will lose it. Japanese, British, and before the war, German banks have in this respect outrivalled American branches, because the former offer the Chinese importer credits sometimes as long as a year, while the latter cannot extend the period beyond three months. American banks in China employing their capital largely in exchange operations and being limited by law or by the nature of their business to short term loans, had not been in a position to take part in the financing of transactions requiring the longer term of credits such as industrial enterprises in China always require. It was to meet this need that the Edge Law was enacted. Banks incorporated under this act are not permitted to receive deposits, but enjoy the privilege of issuing acceptances up to one year. They have, therefore, a wider margin on which to operate in financing export and import trade.

<sup>1</sup> For further description of the Edge Law and the financing of foreign trade, cf. Moulton, *Financial Organization*, pp. 422-23. Reed: *The Development of Federal Reserve Policy*, pp. 177-180.

## CHAPTER XVIII.

### SUMMARY AND CONCLUSION

#### *Historical Background of the Trade: Recapitulation*

Indirect commercial relations between the ancient Empire of Cathay and the New World had been existent long before the establishment of the United States as an independent nation. Chinese tea had been regularly imported through England during the colonial days. But it was not until the memorable year of 1784, when the *Empress of China* reached Canton, that Chinese-American trade finally began. Direct commerce between the two great nations bordering on the Pacific has thus run its course for a century and a half, and its growth has practically kept pace with the development of American national life.

With regard to the different directions that the course of Chinese-American trade has taken at different stages, its whole history may be conveniently divided into four periods. The first period is one of informal or non-treaty intercourse, extending from 1784 to 1844. During this period America's enterprising seamen played a very active part in China's foreign trade, a part second in importance to that of no other country. Numerous American ships, no longer handicapped by the restrictive British colonial system, busily plied between the coasts of Asia and America, buying from China tea and silk, for which they paid first with ginseng and specie and later with furs, sandal wood and other products which the American traders got from the South seas.

After 1820 when the early fur trade came to an end and the sandal wood trade had also reached its zenith, new conditions arose to cause a steady growth of this



trade. Chinese teas and silks now commanded a better market in the United States because of the gradual growth of the population and wealth in the new Western Republic and the resulting increasing demand for those Oriental luxuries. The Americans, on the other hand, were better able to pay for them with bills of exchange on London, as a result of the English opium traffic in the East. Also gradually increasing in quantity were American domestic exports, among which cotton goods assumed new importance. At the end of this period the American Government, taking advantage of the Opium War between Great Britain and China, followed the British example and sent Caleb Cushing to China and concluded with her the first Sino-American commercial treaty.

The second period of our history is one of temporary trade expansion and then steady decline. It begins with the year 1845 when formal intercourse between the United States and China under the provisions of the treaty of Whanghia began, and ends with the Sino-Japanese War in 1895. This period again falls into two sub-periods with the American Civil War as their dividing line. In the first sub-period the business activity of these energetic merchants attained its high tide. Having a shipping equipment which was second to none in the whole world, the United States was taking a very big share in China's foreign trade during the forties and fifties of the nineteenth century. But the life of this phenomenal expansion was soon cut short by the political confusion and the civil wars in both countries. During the American Civil War, her magnificent shipping, the vital element of her foreign trade, fell into decay. The active American pioneer traders in China gradually disappeared from the market because they were lured homeward by the enticing opportunity afforded by their own country's internal development. While the depreciation

of the value of silver in terms of gold discouraged China from buying more from the United States, the new and strong competition of Japan in tea and silk greatly checked the further expansion of American imports from China. In addition to all these causes there prevailed an ill-feeling between the American and Chinese people as a result of the problem of Chinese immigration. This ill-feeling perhaps contributed more than anything else to the tardy growth of the Chinese-American trade during the latter decades of the last century. During the sub-period of thirty-four years, from 1860 to 1894, the total value of American imports from China increased from thirteen and a half million dollars to only seventeen million dollars, whereas exports thereto dropped from nine millions to six millions.

The third period is one of severe international competition. It began in 1895 and ended in 1913. The easy victory of Japan over China in 1895 radically altered the commercial as well as the political situation in the Far East. The most powerful colonizing empires of the Occident, such as Great Britain, Germany, Russia and France, were quick enough to take advantage of this opportunity to expand their commercial and political influence in China. Japan, also, had made herself an industrial nation and exerted her entire energy toward making China the market of her products. Occupations and leaseholds within Chinese territory became very common, and spheres of influence were viciously established. It was in this period that international competition for Chinese trade was the keenest, and although the United States now gave renewed attention to the development of her trade with China, the expansion of this trade lagged rather behind the normal growth of both the total American foreign trade and the total Chinese foreign trade. Of course, the absolute volume of trade increased nearly two-fold during this period of nearly twenty years, although



the increase was quite irregular. In 1895 American imports from China, including Hongkong, were valued at twenty-three million dollars and exports thereto at twelve million dollars. The corresponding figures in 1905 were thirty millions and sixty-four millions and in 1913 forty-four millions and thirty-eight millions.

That the expansion of American exports to China during this period was especially slow can be explained by two other reasons. First, the narrow-minded way in which the American Government officials dealt with the problem of Chinese immigration greatly injured the Chinese people's national pride and compelled them to retaliate by a violent boycott movement in 1905 against America. Second, the industrial development in China before the European War was controlled mainly by European capital, and American trade was checked by the "monopolizing" of China's trade by European nations through their loans to China. As to American imports from China, the increase was much more steady and noticeable. Yet, first because of the strong Japanese competition in the American silk market, and East Indian competition in the tea market, and secondly because of the delayed development of the vast mineral and agricultural resources of China and therefore the lack of suitable commodities for the American market, American imports from China were also undermined to a great extent.

The fourth period of our trade history—a period of rapid expansion—was naturally set off by the outbreak of the European War. Because of the inability of the European nations to carry on trade with China during the war, most of their trade was diverted to America. Not only have American demands for Chinese goods greatly expanded, but also Chinese demands for American goods. Thus one finds, on the one hand, a great increase of American imports from China in such goods as antimony, albumen, aniline dyes, indigo, wool, cotton, egg

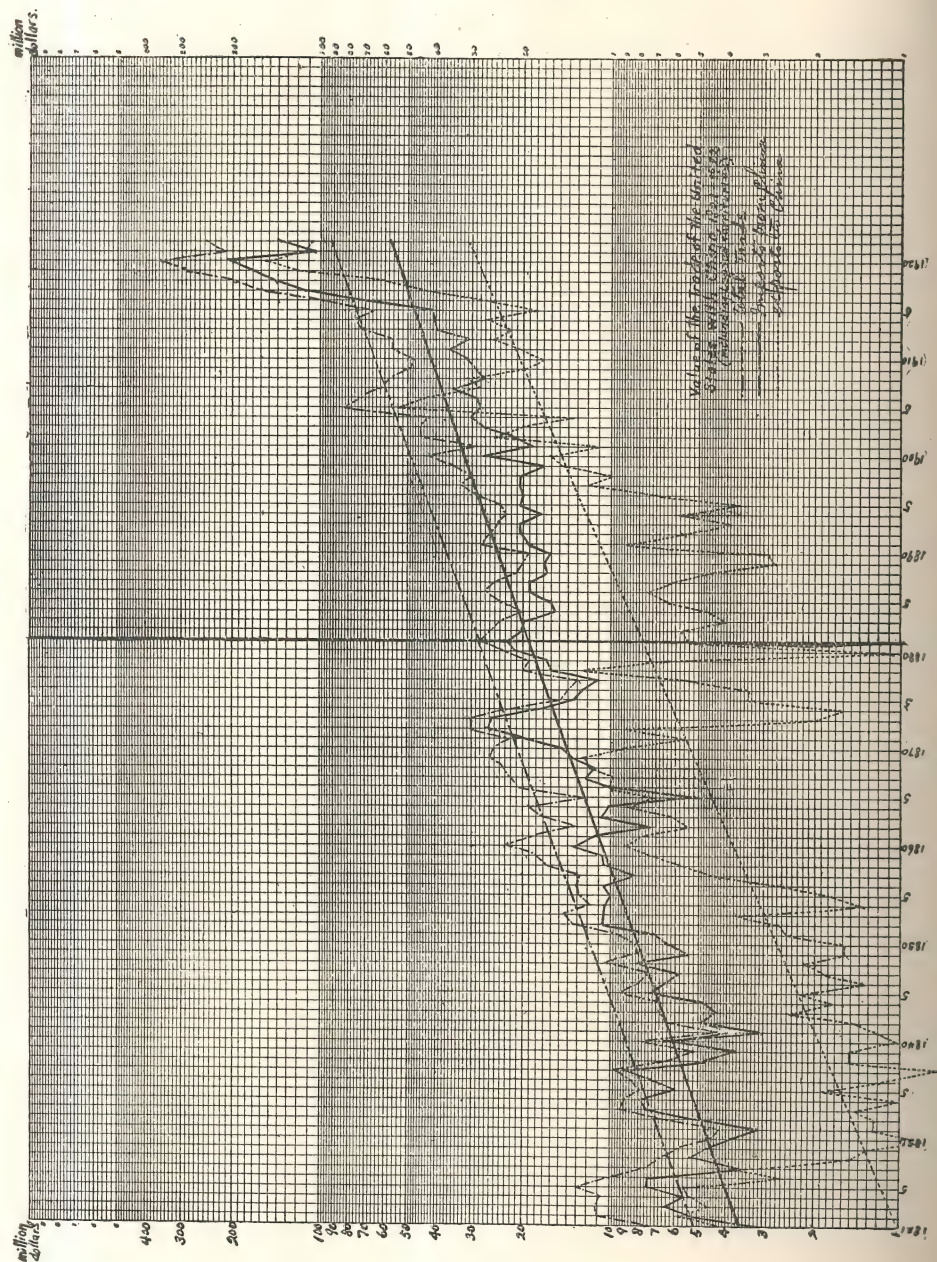
products, vegetable oils and oil seeds, hides, skins, furs, straw braids and raw silk; and on the other, a corresponding increase of American exports to China in iron and steel machinery and other products, all sorts of vehicles, chemicals and dyes, electrical machinery and materials, rubber manufactures, leather goods, paper products, mineral oils, tobacco, and wood and wood manufactures. In the former periods trade in a great many of the articles mentioned was either non-existent or quite small in volume, but now each item amounted to millions of dollars in annual value.

Throughout this period, the derangement of the gold-silver exchange situation, the shortage of ocean shipping tonnage and the resulting rise of freight rates, worked great havoc in the trade between China and the United States. But later on the mutual demand for more goods from both sides overcame these causes of friction, and the trade increased three to five times, both absolutely and relatively, during a period of ten years. In 1914 American imports from China were valued at thirty-eight million dollars, while in 1923 they were one hundred seventy-six million dollars. In the former year American exports to China were valued at twenty-seven million dollars, and in 1923 they amounted to one hundred seventeen millions. Even after due allowance has been made for the price inflation during and after the war, the real volume of the trade has actually increased two to three times.

#### *The General Trend of the Trade*

In the foregoing section the writer has briefly summarized the various stages of the inception, expansion, decline, and recovery of the trade between the United States and China together with some of the most important economic forces underlying these upward and downward movements. If, however, we combine all these different stages and investigate their general trend





as a whole, we find the trade consistently prospering and expanding year after year. As shown in the accompanying chart its secular trend presents a definite upward movement, rising not merely in arithmetical progression, but in geometrical progression.<sup>1</sup>

During the past century American imports from China, with only a few exceptional years, have been consistently greater in value than exports thereto. Yet the general tendency is for their difference to become smaller and smaller in proportion to the total trade, because American exports to China have increased on the whole more rapidly than imports therefrom.

#### *Future Prospects*

In the light of the past we may have some idea about the future. First of all, American trade with China is certain to grow as time goes on, though irregular forces may at any time disturb its smooth course as so many of them did in the past. But whether it will expand at the same rate as during the past century or at a new rate accelerated by the recent cataclismic changes caused by the World War, we have still too short a period in view to be able to forecast correctly. One thing, however, seems rather certain, viz., the trade will from now on fluctuate on a level higher than that which formerly prevailed and will remain on that higher level, perhaps permanently.

<sup>1</sup> The three curves in the accompanying chart represent respectively the annual value of American exports to China, imports therefrom, and the total of the two (in the order from the bottom to the top). They are drawn in the logarithmic scale, thus showing their percentage changes from one year to another. The fitting lines for all these curves, though drawn according to the method of least squares, are not intended to measure their trend with mathematical accuracy, because there can be no single definite trend for so long a period as one century. They are simply intended to show the gradual increase of the trade, and to indicate roughly, but clearly, the four stages of origination, expansion, decline, and revival, as described in the text of this book.



As one may note in the chart, both imports and exports are now far above their normal size indicated by the lines showing their respective trend. Should there have been no World War, the former trend might still represent the normal course. But now world trade relations have been re-adjusted according to a new equation of international demand, and the price levels in both the United States and China have been raised, perhaps permanently; and it seems to be quite improbable that the value of American trade with China will return to its pre-war level.

#### *American Imports from China*

Having thus indicated the general drift of the trade, we will review some important articles which composed or now compose a large part of the imports and exports.

Among the various articles imported from the Old Empire to the New World, tea is one of classical importance. As soon as direct trade with China was made possible by American independence, a large quantity of tea, usually constituting half and sometimes even eighty per cent of the American total imports therefrom, was annually brought from the Orient. But since the middle of last century China's monopoly in tea has been shattered, first by Japanese, and later by British and Dutch East Indian competition. The inefficiency of Chinese methods of cultivation and manufacturing as compared with those followed by the Japanese and East Indian planters and manufacturers, the vicious practice of tea adulteration in China in former years, the heavy tea export duties formerly imposed by the Chinese Government and the poor methods of selling on the part of Chinese tea merchants, have all contributed their share, at one time or another, to the decline of the trade. But according to tea connoisseurs China still produces the best tea in the whole world, though the Chinese tea may not be entirely uniform in quality and therefore somewhat unfit for

the American large-scale method of marketing. Having realized the importance of the American tea market, however, Chinese tea traders and the Chinese Government have made various attempts to improve their method of tea culture in the hope of being able to recover some of their lost shares in the trade of the United States.

Next to tea in point of time of entrance into the American market, but now by far the most important single article among the various American imports from China, is silk. During the early part of the nineteenth century nearly all American silk imports were in the form of manufactured silks, of which a large part came directly from China. But since that time the volume of trade in silk manufactures has dwindled both absolutely and relatively. There are three reasons for the decline and present insignificance of this line of trade: First, Chinese silk goods, being manufactured for the home market only, do not suit the taste and fancy of westerners; secondly, the United States itself has been for half a century one of the largest silk manufacturing countries and can well supply her own needs; and thirdly, the American protective tariff, as applied to silk goods, has been almost prohibitive.

Contrasted with the early decline of trade in silk manufactures was the steady growth of the raw silk trade. Before 1865 the United States bought little raw silk, but since then, due to the rapid development of the silk weaving industry in this country, the importation of foreign raw silk has naturally increased by leaps and bounds. The increase in the silk trade with China, though fairly steady in absolute quantity throughout the last half century, has, however, failed to keep pace with the total American silk import. The reason for this relative decline is twofold; it is due, on the one hand, to the lack of improvement in the method of sericulture and the failure to secure new markets on the part of the Chinese,



and, on the other, to the severe competition and the rapid growth of the Japanese raw silk industry. Recently, however, the popularity of silk in America has so tremendously increased that the United States has begun to feel the necessity for extension of its raw material field, and once more it looks to China for a more adequate supply of this article. The Chinese silk raisers have also begun to realize the importance of the American market and have made various attempts to improve the bulk of their silk to suit the large-scale manufacture of the United States. Success in this direction has been quite marked during the last few years and no doubt Chinese silk is going to regain its lost position.

Hides, skins and furs come next in importance as commodities which have for more than thirty years held a prominent place in American import trade with China. At the end of the nineteenth century Chinese cattle and buffalo hides, goat, sheep and calf and horse skins, were imported into America at an average of several million pounds a year. The volume of trade was more than doubled before the European War and since that time it has been quadrupled. Trade in furs, both dressed, undressed and in fur manufactures, has increased in value from an annual average of three hundred thousand dollars a year before the war to several million dollars a year thereafter. China, as we know, has a vast area of pasture land, and is well able to supply the United States with all these things; trade, therefore, in this line of commodities, is certain to expand as the stock-raising industry develops in China.

Closely connected with the hide and fur trade is the trade in wool, both manufactured in the form of carpets and unmanufactured; bristles, and other kinds of animal hairs; because all of them are products of the same animal and for the same reason, therefore, these lines of trade will expand in the future.

There are also several kinds of Chinese hand-labor manufactures, such as hair nets, laces and embroideries, which have recently played an important role in the trade between the two countries.

Besides these Chinese articles just enumerated, there are still several others, each of which, for several years during and immediately after the war, took a great share in American import trade. Among them we must first mention vegetable oils. The wide utilization of these oils in American industries and the spectacular growth of Chinese-American trade in them was one of the most interesting commercial phenomena of the past decade. But America is itself the largest producer of certain kinds of vegetable oils in the world (especially cotton-seed oil), and can supply its own needs under normal conditions. Consequently since 1921 the trade in Chinese oils has declined greatly, and, though we can expect them to retain a place in the trade, they are not likely to amount to anything like the quantity and value of the transactions of a few years ago.

Somewhat like vegetable oils in the rôle played in the trade during and immediately after the European War are antimony, albumen, indigo, raw cotton, raw tobacco, egg products and straw braids. All these articles were imported from China in large quantities at millions of dollars a year as long as American business, during 1915 to 1920, sustained its prosperity. In 1921 to 1922 trade in them dropped heavily both in quantity and value. As all these articles are raw materials used by American industries for further production, it is predicted that American imports in these lines will more or less recover as soon as American business conditions become normal.

Generally speaking, American imports from China, like her imports from all other Oriental countries, and from South America, are composed mainly of raw and semi-raw materials. The most important and promising are



raw silk, hides and skins, furs, straw braids, wool, bristles, vegetable oils, etc. The tendency in the future will be toward a gradual increase of trade in these lines. This is because, on the one hand, the increasing activity of American industries will result in more intense demand for these materials, and, on the other, China will be able to supply the United States with a larger quantity of such articles as her agriculture, together with her simpler forms of industry, is gradually developing. The importation of finished or consumers' goods, on the contrary, shows a tendency toward decreasing importance. These goods consist of tea, silk textiles, etc. Nevertheless, China has been able to export to the United States some kinds of hand-work manufactures whose relative importance is on the increase, because China, having an immense supply of cheap labor, is able to outrival any nation in the world in such hand-made articles as laces, embroideries, hair-nets, etc.

#### *American Exports to China*

In passing to the consideration of American exports to China, we find that only two decades ago the most important article was cotton cloth. During the fifties of the nineteenth century, cotton goods constituted in some years nine-tenths of the total American domestic exports to China, amounting to more than two million dollars a year. But after 1860 further expansion was checked, partly because of the destruction, during the Civil War, of the American merchant marine, which was necessary for carrying the bulk cloth, and partly because of the keen competition of Great Britain. In spite of these handicaps, American cotton cloth still occupied a very respectable position in the export list during the closing decades of the last, and the opening years of the present, century. These cloths, during that period, still constituted nearly sixty per cent of the total American exports

to China, at a value of several million dollars a year. But since 1906 they have been losing ground rather rapidly, first because of Japanese and, later, Chinese competition, until now they constitute scarcely five per cent of the total American exports to the Oriental Republic. It is unlikely that in the future the United States will be able to regain its lost position in this line of trade.

But it must not be understood that the United States will forever keep its hands off the Chinese cotton goods market. There are numerous other lines of finer cottons, which are not made by either Japanese or Chinese mills, but which are consumed in large quantities by the Chinese. At present trade in these cottons is almost exclusively in the hands of Great Britain, but there is no reason why American cotton manufacturers should be unable to produce these finer goods and send them to China on a competitive basis.

Next to cotton goods are kerosene oil and tobacco. In the recent remarkable growth of tobacco imports of China American tobacco has taken a share which increased from less than one-fifth, at the beginning of the present century, to more than four-fifths during the last few years. China has been for many years the largest purchaser of American cigarettes, and now buys a fairly large quantity of American raw tobacco. But despite all these recent developments in the American tobacco trade with China, it can hardly be expected that, in the future, trade along this line will undergo further expansion at such a remarkable rate as that of recent years. The tobacco industry, in China, like her cotton industry, is rapidly advancing and, if it were not for the present huge demand for foreign tobacco in that country, her home-manufactured tobacco could well supply the market. Recent efforts in China to improve the quality and increase the quantity of domestic tobacco has resulted in marked success, and during the last few years China has become to



a small extent a tobacco exporting country. While a substantial increase in Chinese purchases of American tobacco leaf will undoubtedly result in the immediate future, the future development of this trade will ultimately depend on the course of native leaf production in China itself.

As regards mineral oils, the old empire had been an excellent market for the American output, although Russian and Dutch East Indian competition has caused the American trade to fluctuate widely. Before 1890 every gallon of oil imported into China came from America, and the trade expanded from almost nothing in the sixties to an average of thirty million gallons in 1891 to 1900, increasing to nearly a hundred million gallons before the war, and finally to one hundred and sixty million gallons in the last few years. In the closing years of the last, and the opening years of the present, century, the American Standard Oil Company had a hard fight in the East, first with the Russian oil interests and later with the Dutch, but, owing to its huge strength, has succeeded in defeating them, and now holds the key to the Eastern oil trade.

It has been reported by geologic experts that rich mineral oil fields are in existence in China itself. But the exploitation of these resources has not been successful. Today, as in former times, China still has to depend upon foreign oils for lighting purposes, and so long as this demand persists, American oil trade with China is certain to grow.

Moreover, as industrial China is taking shape, she needs more and more of fuel and gas oil, lubricating oil, naphthas, etc., in addition to illuminating oil, which was the only important kind imported in former times. The United States, with her very rich oil resources and a well developed refining industry, is naturally in a greatly ad-

vantageous position to reap the benefit of this expanding market.

Lumber is another important American product which was introduced into the Orient in the closing decade of the last century. As China has no great forests of her own, her increasing demand for lumber for construction and manufacturing purposes must be met by increasing imports. In fact, her imports have actually grown ten-fold since 1900, amounting now to more than ten million dollars a year, of which more than fifty per cent comes from the United States. While lumber has not yet reached the position of being one of the principal imports in China, those in the trade see a splendid future for it. America, being in possession of rich forest resources in its Pacific States, is certain to reap the profit of the growing Chinese trade.

American leather goods, rubber manufactures and paper products are the other lines of trade, each of which has recently amounted to millions of dollars annually.

We now come to several other lines, which, quite insignificant only a decade ago, are now playing such an important part in the trade that they practically constitute the larger part of American exports to China. These are iron and steel machinery and other manufactures, electrical appliances and materials, motor vehicles and other carriages, chemicals and drugs, and all other sorts of finer products of the highly developed American industries. The reason for such a rapid expansion along these lines can be readily found in the two-fold fact that while China's demand for these industrial equipments and provisions has greatly increased, due to her recent industrial development, the United States is now better able to supply China with these articles due to the increased output of her various industries and diminished competition in the Orient since the war.

From what has been said above, we can realize the



general trend of the American export trade with China. First of all, manufactures of the simpler forms, which formed the largest part of American exports to China in the past decades, are now decreasing in importance, both in absolute quantities and in relative shares, and this tendency will continue in the future. To repeat again, industrial China has recently made remarkable progress, and she is adding every year a number of flour mills, cotton factories, tobacco plants, iron and steel workshops, paper mills, leather factories, etc., to the host of those already in existence. At one time before 1906 American flour commanded a good market in China, but owing to China's achievement in the milling of flour, this line of trade has already declined to an insignificant volume. This is also true of American cotton cloths, of manufactured tobacco and will be true of all other simpler forms of manufacture such as leather goods, paper products, etc.

Up to the present time, most of China's iron and steel products, such as rails, structures, bars, wires, sheets, plates, pipes, etc., have been imported from America and Europe, and the volume of trade along these lines has grown rapidly. But this is another department in which the new republic's latent potentialities promise to make it ultimately independent of import. China possesses many fabulously rich deposits of coal and iron, and, if enough capital can be obtained, can manufacture the simpler forms of iron and steel products in her own country.

The writer will not multiply instances calculated to show the unlikelihood that the United States or any other foreign nation will be able to build up a permanent trade with China in the simpler articles of manufacture, for which that country has the raw materials. The Chinese people can successfully elaborate, and are successfully elaborating all sorts of raw materials of which nature has given them so great a store, and it will not, therefore,

profit foreign nations, especially the United States, to endeavor to build up trade with them along these lines. The American manufacturers may sell China flour, cotton goods, cigarettes, metals, leather goods and paper products for a while, but it will not be long before they will face a decreasing demand as has happened in not a few instances before.

Now let us consider what line of American exports to China may hold a promise of better and longer success.

In the past the products of American factories, designed for the American market and for a class of people living on a relatively high wage-scale, were of better quality and consequently more expensive than those goods should be if they are successfully to compete for the trade of the Orient, where the individual earning capacity, and therefore the purchasing power, is relatively small. Other countries having a greater demand at home for cheaper goods are in a better position to supply the Oriental market than is the United States. So far as America is concerned, this condition is clearly shown in its decreasing share of China's import trade in 1921 to 1923. This condition will continue until an improvement in their economic condition increases the earning and purchasing power of the Chinese masses. When the buying capacity of the Chinese shall have increased to the point where it will be able to furnish a market for the sale of more expensive American goods, American trade will doubtless expand still a great deal more.

Now let us take note of the fact that the recent development of industrial China will benefit American trade more than that of any other country. As pointed out above, China is annually increasing her own output of all the simpler forms of manufactures under very favorable natural conditions and under a low wage-scale. These products are manufactured, under the impulse of the new movement, to supply the demand for cheaper goods, and



thus offer more serious competition to those countries now underselling the Americans in the Chinese market than to the higher class American products. Within the next decade or two China will develop into a great manufacturing nation, while at the same time her demand for a better and different class of goods than she herself can produce will materially increase. Goods which involve high mechanical skill and nicely standardized processes, should be supplied more and more by the United States, which has not, and will not have, any serious rival in those lines.

A good opportunity is already evident and will surely continue to improve, for the Americans to export to China such lines as industrial machinery, locomotives and the higher class of rolling stock, motor vehicles and electrical railway equipment; many classes of agricultural machinery and a long list of other things, such as typewriters, cash registers, sewing machines, and the like, in which are to be found the fullest expression of American ingenuity. This marks the easiest and practically the only chief line of future advance which may lead to permanent American success in the Chinese market.

#### *Some Features of the Trade Relations*

As to the general trade relations between the United States and China, there have been several significant features worthy of notice. One of them is the *purity of motive* which has characterized their commercial intercourse since its very beginning. There is no ulterior aim on the one side and no suspicion on the other, as contrasted with so much of these which have marked the history of China's trade with other powers. Here commerce is carried on with no other consideration than that of a legitimate profit of business. The Chinese are strictly a peaceful business people with a keen business sense. They perceive and appreciate and therefore

do not hesitate to iterate and re-iterate their desire for closer commercial relations with the Americans.

*Identity of interest* is another significant feature of the Chino-American trade. The interests of China and those of the United States run along parallel lines with a peculiar consistency, and there is no fundamental conflict or clash to mar the development of their commercial intercourse. In fact no two countries could be better qualified than the United States and China to cooperate with each other in bringing about the realization of the immense possibilities of trade in the Pacific and in effecting the economic development of East Asia to their mutual benefit.

The third feature is their *interdependence*. Every one realizes that further development of the foreign trade of the United States in the future will to no small extent depend upon the extension of her market in China, because, being a vast country of fabulously rich resources together with an immense population, China is the greatest potential market in the whole world. China, in turn, if she desires to have her vast resources developed and population enriched, must look mainly to the United States for the initial capital, for a large part of machinery and equipment, and also for a reciprocal market, almost as unlimited as China herself, to dispose of her raw or semi-raw materials which the developed Chinese industries will turn out in the near future and of which American manufacturers will feel in great need.

#### *American Dependence on Chinese Market for Further Extension of Trade*

The total imports of China during the last fifty years have expanded with remarkable rapidity. Yet, in spite of the phenomenal increase, the value per capita is now still less than two dollars, in which the United States shares to the extent of nearly forty cents. Insignificant as this figure might seem to be, yet, during the year immediately following the World War, the United States sent goods to China an-



nually amounting to an average of more than 150 million dollars. If China imports in future as much as Japan, which now buys about eighteen dollars' worth of American goods per capita, it will mean that the market in China will become ten times more valuable than it is now.

The wide use in America of water and electric power and the application of labor-saving machinery and scientific management to the manufacture of articles of all kinds have greatly increased and are still increasing the output of American mines, farms and factories. To dispose of these products the United States has turned her attention more to Europe and South America than to the Far East. It is true that before the World War Europe usually took more than 60 per cent of the total exports of the United States. During and immediately after the War, there was an almost unlimited market for American output. But now the whole situation has become, or is becoming, quite different. Europe is now greatly indebted to the United States, and according to the plain theory of international trade, it will sooner or later have to send more goods to the United States than it can buy from, in order that international payments between Europe and America, whether on their capital account or on interest account, may be balanced. In the future, therefore, the United States can not expect as good a market in Europe as she had before or during the War, and she must seek some outlet, other than Europe, for her increasing output.

It is the general opinion of American exporters that, besides Europe, the leading market for American manufactures is South America, Eastern Asia being the next. Prior to the War the continent territorially contiguous to the United States was naturally highest in favor among American manufacturers and merchants, whereas in Eastern Asia there prevailed international political conditions which were not conducive to any considerable trade expansion. Now, however, with China's "Open Door" re-affirmed in the Washington Conference, conditions have become more favorable for foreign commerce and investment. In order to

show that China will in the near future be a market, for American goods, as good as, or even better than, South America, let us take a comprehensive view of the possibilities of China as compared with those of South America.

The imports of South America in 1914 amounted to \$671,000,000 or \$11.92 per capita, while exports amounted to \$882,000,000 or \$15.7 per capita. In 1923<sup>1</sup> imports increased to \$1,274,000,000<sup>1</sup> and exports to \$1,410,000,000, or \$20.45 and \$24.24 per capita respectively.<sup>2</sup> Comparing with these figures those of the principal market in the East, that is, China, we find her total imports were \$381,391,000 in 1914, and her exports, \$238,672,000 or 95 cents and 60 cents per capita respectively. In 1922 her total imports increased to a value of \$784,392,000, and her exports to \$544,560,000 or \$1.96 and \$1.37 per capita respectively. In the case of South America the increase in the per capita figures during the past one decade was, for imports, from \$11.92 to \$20.45, an increase of 71 per cent and, for exports, from \$15.70 to \$24.24, an increase of 54 per cent. But in the case of China the increase in per capita imports during the same period was from 95 cents to \$1.96, an increase of 106 per cent; and in per capita exports it was from 60 cents to \$1.37, an increase of 128 per cent. The rapidity with which China's import trade increases is, relatively speaking, one and a half times greater than that of South America, and that of her export trade nearly two and a half times greater.

Again, let us make the point more clear by comparing the trade between these countries and the United States with that between China and the United States. During 1914<sup>3</sup> United States exports to South American countries were valued at \$116,329,000 or 17.3 per cent of their total imports,

<sup>1</sup> Fiscal year ending June 30.

<sup>2</sup> Figures compiled and percentages computed from statistical data given in the *World Almanac*, N. Y., 1914.

<sup>3</sup> Fiscal year ending June 30.



and imports therefrom, \$221,770,000 or 25.2 per cent of their total exports.<sup>1</sup> During the fiscal year 1922-23 the corresponding figures were \$259,000,000 or 20.4 per cent for exports; and \$470,000,000 or 33.4 per cent for imports.<sup>2</sup> Her exports to China in 1914 were \$24,699,000 in value, or 6.4 per cent of China's total imports, and her imports therefrom, \$26,943,000, or 11.3 per cent of China's total exports. During 1922, the corresponding figures were \$140,274,000 or 18 per cent for exports, and \$80,991,000 or 16.5 per cent for imports. It is again evident that the growth of American trade with China has been relatively more rapid than the growth of her trade with South America.

From this concrete analysis of trade statistics we come to the conclusion that if the United States desires to further extend her foreign commerce, she can not do much either in Europe or in South America. To the Orient she must look, and especially China—"the one great potential market in the world."<sup>3</sup>

The United States not only wants a market where the needs are commensurate with her present capacity to produce and manufacture, but she requires a demand that will increase with her increasing output. China is such a market for the products of American industry.

#### *China's Dependence on the United States for Further Development and Trade*

Let us now consider the question of China's dependence on the development of her American trade as an index of her industrial development and commercial success. This also needs some explanation. In the first place China's American trade has for the past century been very necessary to her in the sense that she has depended to no small

<sup>1</sup> Figures quoted from U. S. Bur. of For. and Dom. Com., The For. Com. and Navigation, 1914.

<sup>2</sup> Figures compiled from the *World Almanac*, 1924.

<sup>3</sup> *China Review*, N. Y., November, 1922.

extent upon the favorable balance of this trade to pay off the unfavorable balances in her trade with other nations. At first her unfavorable balance was due solely to the large and expensive importation of opium. But afterward it was due largely to the lack of development of her industry. As a result, the annual balance of her foreign trade has, for nearly a hundred years, been invariably against her. This one-sided balance has been a long and heavy drain on China's resources, the rapid accumulation of foreign debts and a gradual impoverishment of her people. But fortunately in this unhappy state of things China has had a consistently stable balance in her favor in her trade with the United States, since direct trade was established between them in 1784, except for a very few years. According to the official trade statistics of the United States, the balance averaged about \$15,000,000 throughout the last four decades of the nineteenth century. During the first fourteen years of the present century, the average balance in China's favor dropped to \$7,200,000. But in the following period of nine years, 1914-1922, it again increased to \$42,000,000. These favorable balances greatly helped China in counterbalancing her other unfavorable balances and thus mitigated the severity of foreign exploitation, from which she has long suffered. A balance in favor of China is, however, not a discouraging factor for the United States. Her trade with China consists largely of raw materials or semi-finished products which feed her numerous factories and mills, and double or treble their original values when they are resold in their finished state.

Secondly, it is to the huge American market with its unlimited purchasing power that China will look in the near future for the disposal of a part of her immense mineral and agricultural output which her rapidly developing industry is going to produce. China has pasture land in Mongolia, Tibet, Eastern Turkestan and some inner



provinces to an area of several million acres, on which she will be able to raise tens of millions of sheep, goats, cows, horses, hogs, etc. From these animals there will be an immense output of hides, and skins, furs, bristles and wool, for which there is a great demand in the United States for the manufacture of leather, clothing and other articles. She has more than twelve million acres of farm land in Manchuria which under proper methods of cultivation will yield more than one hundred million bushels of soya and other beans, the oil of which has recently played a very important part in American industry. She has also an unlimited supply of cheap labor, which will produce a very great quantity of raw silk with the newly improved method of sericulture, of high grade teas, of handmade laces, hair nets, etc., all of which the United States is anxious to buy. In a word, China must in turn look to the United States for the disposal of the increasing products of her rapidly developing industry and agriculture.

In short, China wants just what the United States is well able to offer; viz., all sorts of machinery, iron and steel manufactures, and electrical appliances, chemicals, drugs, etc. They are normally the products of large scale production and highly developed industry, and no one nation on the globe can excel the United States in this respect. On the other hand, the United States wants just what China is well able to offer, viz., raw silks, hides and skins, furs, vegetable oils, wool and other products of manual work, such as carpets, hair nets, laces, etc. They are mostly the products of simpler forms of industry. As these simpler forms of industry are springing up at a remarkably rapid pace, with a huge supply of cheap labor at her disposal, China will be able to supply the growing demand of the United States for such material and products to whatever extent the United States cares to go. The steady advance of industrial China, therefore, is a

good thing for America. It will be some time before China attains to the height of the complex industrial activity which prevails in the United States, but in the meantime the more China develops her simpler forms of industrial activities, the greater will be her demand for American goods. At the same time, the development of these simpler forms of industry in China will give the United States a more adequate and perhaps a cheaper supply of materials. *Here lies the identity of commercial interests between these two countries; and here also lies their interdependence.*

In addition to the factors we have mentioned, there is also the strong and sincere friendship which has existed ever since the beginning of trade between the United States and China. This is of course a valuable asset to both parties—an asset which money cannot buy as well as a strong guarantee for successful trade.

#### *Improving the Chinese-American Trade Relations*

How, then, can the trade relations between the two great republics of the Pacific be best improved to their mutual advantage? In the writer's opinion, the most effective measure to aid the development of Chinese-American trade is American investments in China in the spirit of true American justice. The truth of the old adage that "trade follows capital" is especially brought out in the Orient today because until China is in a fairly advanced stage in a modern industrial sense, the reservoirs of Chinese trade can but be barely tapped. But what are the most crying needs for the advancement of industrial China? None is more indispensable to the development of China than disinterested foreign capital and expert scientific aid. In Chapter XVI the writer has endeavored to point out why he believes China is the best field for American investments today and why China looks mainly to America for capital. To this American



capitalists have been partly alive and have expended some efforts in the past to cooperate with the Chinese in the building of railways, conservation of canals, exploitation of mineral resources and the promotion of new industries in China. But unfortunately for both, most, if not all, of these attempts have so far failed to bear fruit, as we have witnessed in reviewing the history of American investments in China. Although this utter failure may be attributed to a great many reasons, yet two principal causes are quite evident, viz., first, the misguided policy of American capitalists in mixing up their investments with national and international politics; and, second, the unsettled state of affairs in China at the present time.

Regarding the first of these two causes, the writer believes that unless foreign business men, whether Americans or others, who are interested in China, are willing to make their investments purely on a business basis without resorting to the wires and strings of foreign chancelleries, the Chinese people can not but look upon their capital without fear as to the grave consequences which might result from accepting their aid, such as have actually happened in the past to the impairment of Chinese political sovereignty and economic independence.

As to the second cause, the present unsettled state of Chinese affairs is a problem inevitable to such a period of transition as is now under way in China, and there is no ground for despair. Already are there encouraging signs pointing to a speedy settlement of China's internal troubles. One has only to recall the discouraging state of affairs in the United States immediately after independence was won from England and for the many decades following as well as the troublous periods following the establishment of the French Republic, not to speak of the rise of democracies in other parts of the world, to realize that the budding Chinese Republic has made remarkable progress in traversing the thorny path of democracy.

China is fundamentally sound, socially and economically. Her present unhappy plight is not entirely through her own fault; for it the Powers are partly responsible. The problem of China today has become an integral part of the greater problem of world peace and it is the part of wisdom for the Powers, especially the United States, to extend to China sympathetic cooperation in its solution. The proper development of industrial China will require not alone the cooperation of foreign capital but what is as indispensable, the hearty cooperation of foreign scientific and technical experts in the working out of her industrialization. America has been generous in proffering China aid in the educational field in the past and to America China must look for expert technical assistance hand in hand with financial cooperation in her development. With the ushering in of modern industrialization, bringing with it financial reorganization and an efficient marshalling of her tremendous resources, the prevailing chaotic condition in the present transitional period which is to a large part an economic problem, viz., the masses struggling for a living under the seething conditions caused by congested population and undeveloped resources, will likewise disappear as the morning fog under the rising sun.

The American Government and American financial interests have not been insensible to China's dire need of foreign capital in recent years. As a result, various means to foster Chinese-American cooperation were devised. Thus, the International Banking Consortium was formed under American leadership, the China Trade Act and the Edge Banking Law have been passed by the American Congress, and some joint Chinese-American commercial and industrial enterprises have been projected. Unfortunately, the Consortium has failed to accomplish its desired end and is now in a lethargic state, while the China Trade Act and the Edge Banking Law do not tend



to become instruments of Chinese-American cooperation for reasons already discussed in previous chapters.

The urgent need of China today, to restate it again, is that of disinterested foreign financial and technical cooperation with the Chinese for the industrial development of the great Asiatic country, to the benefit of both. While foreign financial interests have been willing to invest in China under their own special conditions, often, however, to the detriment of China, there is the urgent problem of working out this cooperation so that it will not be to the impairment of Chinese sovereignty and independence to be acceptable to the Chinese people as well as to afford foreign investors the necessary guarantees for the safety of their capital. In the present situation, the Government and people of the United States have a great opportunity. It is indeed a worthy responsibility because of the traditional friendly relations between the two peoples, for upon the proper working out of the problem of Chinese-American financial, industrial and commercial cooperation hinges the problem of China and the future peace of the world.

## INDEX.

### A

- Adulteration of tea, 140.
- Aigun, 304.
- American banking consortium, 304, 313-18, 355.
- American business concerns in China, the failure of, 34.
- American-Chinese Bank of Commerce, the, 326.
- American Civil War, the, 4, 20, 34.
- American consul in China, the first, 7.
- American Emergency Tariff Act, the, 168.
- American exports to China: actual increase of, during 1914-1922, 81-83; allowed by the price inflation, 82; changes in, 106-113; decline of, 51; future prospects of, 112-113; increasing in relative importance, 1914-1922, 83-84; increasing demands for, 71; tendency of, 62-63.
- American Express Company, 326.
- American financing of China's industries, see "financing."
- American firms in China, 93; handicapped by federal income tax, 292.
- American imports from China: actual increase of, during 1914-1922, 79-81; allowed by price inflation, 79-80; future tendency of, 105-106; general significance of, 64; increasing demands for, 71; increasing in relative importance, 1914-1922, 73-74; steady increase of, during 1861-1894, 56-57; during 1895-1913, 63.
- American International Corporation, 305.
- American investment policy, criticised, 300, 301.
- American merchant marine, decline of the, 4, 33.
- American mission to China, the first, 271.
- American National Red Cross, 304-305.
- American Oriental Banking Corporation, 325-326.
- American private investment in China, 318-322.
- American residents in China, 92.
- American share in China's foreign trade, during 1860-1894, 31; 1895-1913, 47-50; 1914-1922, 85-86.
- American shipping interest in China: as a cause of trade expansion, 23; decline of, 33; in the early period, 11.
- American Silk Association, 159-160.
- American silk missions to the Orient, 160.
- Anglo-American War of 1812, effect of the, 9, 12.
- Antimony, 104.
- Asiatic Petroleum Company, 225, 231.
- Asia Banking Corporation, 326.
- Automobiles, see Motor Vehicles.

### B

- Balance of trade: the early, 9; the early payment of, 14; during 1861-1895, 41, 43; during 1895-1913, 67, 69; during 1914-1922, 113-115; with Hongkong, 67.
- Banking consortium: the American, 304; America withdrawing from, 311; the Four-Power, 310; the New International, 313-317; the Six-Power, 310.
- Beginning of the trade, the, 5.
- Belgium, as a source of iron and steel machinery, 252.



- Bills of exchange on London, 16, 22.  
 Books, exported to China, 111.  
 Borneo, 230.  
 Boxer trouble, the, 44; giving occasion for treaty revision, 280; effect on American trade, 47; indemnity returned to China, 56.  
 Boycott of 1905, the, 4, 54-56.  
 Bread stuffs, exported to China, 61, 108.  
 Bristles, 190-192; American imports, 192.  
 British-American Tobacco Company, the, 240, 243.  
 British-American War of 1812, the, 3; in relation to tea trade, 124.  
 British East India Company, see East India Company.  
 British competition in China, 86-89; 94-95; in cotton goods, 208, 210, 212; in manufactured tobacco, 238.  
 British India, share of in China's foreign trade, 85; as a source of China's raw cotton imports, 221.  
 British East Indies, American trade with, 84; competition in tea trade, 132, 133.  
 British firms in China, 93.  
 British residents in China, 92.  
 Bullion, exported to China: in the early period, 9; during 1805-26, 14-16; during 1845-60, 22, 29; during 1871-94, 41-43; during 1895-1913, 68-70; during 1914-1922, 117-119.  
 Burlingame, Anson, 278; complete sovereignty policy of, 278; mission, 278.
- C**
- Canada: as a source of lumber imports of China, 247; transshipment of American machinery through, 251.  
 Canton, 5, 6, 9, 301; blockaded by British fleet, 19; cost of doing business at, 12, 25.  
 Canton trade, 7, 9.  
 Canton-Hankow Railway concession, 301-302, 308.  
 Cape of Good Hope, the, 6.  
 Carpets, 185; American imports of, 186.  
 Carpet wool, 181-182.  
 Cars, carriages and other vehicles, 62, 110.  
 Causes leading to American commerce with China, 5-6.  
 Ceylon, 137.  
 Chemicals, drugs and dyes: exported to China, 62; imported from China, 64, 99, 102.  
 China Trade Act, the, 291-297; criticisms of, 294-296; provisions of, 293-294; purpose for enacting, 292.  
 China's share in the foreign trade of America: In 1860, 23; during 1861-1894, 30; during 1895-1913, 50; during 1914, 1922, 84.  
 Chinchow-Aigun Railway, 304.  
 Chinese-American Bank of Commerce, the, 325-326.  
 Chinese Boycott of 1905, the, 4; the cause of, 54; the effect of, 55.  
 Chinese Eastern Railway, the, 303.  
 Chinese immigrants, the mistreatment of, 38.  
 Chinese immigration, the problem of, 37-41; treaty for the regulation of, 279.  
 Chinese National Currency Bureau, the, 305.  
 Chinese nut oil, 171-172; American imports of, 172.  
 Chinese Revolution of 1911, the, 4.  
 Chinese silk, the characteristics of, 155.  
 Chinese tariffs, 24-26.  
 Cigarettes: American exports to China, 239; China's imports of, 236.  
 Civil War of America, the, 4, 20, 34.  
 Clothing wools, 181-182.  
 Co-hong system, the, 8-9, 14.  
 Combing wools, 181-182.  
 Competition of Japan, Great Britain, Germany, etc., see index under the title of the different countries.

- Composition of American Exports to China; during 1815-1839, 16-17; during 1860, 29; during 1861-1894, 41-42; during 1895-1913, 57-63; during 1914-1922, 106-113.  
 Composition of American imports from China, during 1815-1839, 16-17; during 1860, 30; during 1861-1894, 41-42; during 1895-1913, 63-67; during 1914-1922, 97-106.  
 Conference on the Limitation of Armaments and the Discussion of the Pacific and Far Eastern Questions, see Washington Conference.  
 Consul in China, the first American, 7.  
 "Coolie trade," the, 26-28; American share in, 26-27; evils of, 27; result of, 27-28.  
 Copper, exported to China by America, 16, 62.  
 Cost of doing business at Canton, 12, 25.  
 Cotton goods: American exports to China during 1815-1839, 16; during later years, 28-29, 57-58; during 1914-1922, 107, 210.  
 Cotton goods: American imports from China, during 1815-1839, 16, 18; during later years, 103, 175-178.  
 Cotton goods trade: America handicapped in competition in, 207-208, 213-214; China as a market for, 205; Chinese competition in, 215-218; decline of America's share in, 211-212; early prosperity in, 206; future prospects of, 218; international competition in China, 207; later decline of, 206.  
 Cotton industry in China, 216; causes contributing to the development of, 217.  
 Cotton mills in China, 217.  
 Cotton, raw, see Raw Cotton.  
 Cotton seed oil, 175.  
 Currency Reform Loan, the, 309.  
 Cushing, Caleb, 271; most-favored nation policy of, 271.

**D**

- Dennett, T., 270.  
 Depreciation of silver, 36.  
 Dollar Company, Robert, 244.  
 Drugs, dyes, and chemicals, 62, 64.  
 Dutch East Indies: American trade with, 84; competition of, in mineral oil trade, 225; 228-229, 231; competition in tea trade, 134-135.  
 Duty on tea, 8.

**E**

- East India Company, the: in relation to tea trade, 5, 123, 125; the competition of, 6.  
 Edge Law, the, 319, 327; bank established under, 318-321, 328.  
 Eggs and egg products, 102, 199-201; affected by American tariff acts of 1921 and 1922, 201; affected by American import regulation, 200; Chinese exports of, 199; method of manufacturing, 200.  
 Electrical machinery and appliances, 110, 258-262; American exports to China, 260, 262; American share in the trade of, 261; increasing demand in China for, 259; motor vehicles, 262-265.  
*Empress of China*, the, 6; the first voyage of the, 6-7; and tea trade, 124.  
 Equitable Eastern Banking Corporation, 326.  
 Europe, as a field for American investment, 299.  
 European capital, controlling the industrial China, 56.  
 European Wars, during, 1800-15, the effect of the, 10.  
 Exchange rate of the Haikwan Tael, 36; affecting the sale of American machinery and equipment, 253; enormous rise of the, 72; wide variation of, 116.  
 Exclusion acts, the, 37; the mismanagement of the, 40.  
 Exports to China, see American exports to China.



Extra-territoriality, 272; in relation to taxation, 293; in relation to Edge Law banks in China, 320.

## F

Federal income tax and China trade, 293, 295.

Federal incorporation of firms in China, 293.

Federal Telegraph Company, the, 306.

Financing China's industries: by the International Banking Consortiums, 307-318; construction of railways, 301-304, 308-309; currency reform, 309; reorganization, 310; Petroleum fields, 306; wireless stations, 306.

Flour, wheat, 61, 108.

Foreign firms, number of, in China, 93.

Foreign residents, number of, in China, 92.

Four-Power Consortium, the, 310.

France: number of firms of, in China, 93; number of residents of, in China, 92; share in China's foreign trade of, 85; share in American silk trade, 151-152; silk industry of, 155.

Fuel and gas oil, 234-235.

Furs, 196-198; American imports of, from China, 197; decline of trade in, 13; early trade in, 10, 196; future prospects of trade in, 198; share in the total trade, 99.

## G

Gasoline, 235.

Germany: as a source of industrial machinery for China, 251-252; competition in China of, 96; number of firms in China of, 93; number of residents in China of, 92; share of, in China's foreign trade, 85.

Ginseng, 5, 6, 17.

Gold, exported to China, see Bullion and Specie.

Gold and silver situation during and after the war, 116-120.

Grand Canal, the, 305.

Great Britain: as a member of the Banking Consortium, 313-314; as a machinery supplier of China, 251; as an investor in China, 299; as a railway financier, 308; as a wool supplier of America, 180; number of firms in China of, 93; number of residents in China of, 92; share in China's foreign trade of, 85; also see *British*. Guaranty Trust Company, the, 324.

## H

Haikwan tael, the exchange rate of, see Exchange Rate.

Hair nets, 186-189; industry of, in China, 187; future prospects of trade in, 188-189.

Hankow, 301.

Hanyang Iron and Steel Works, the, 258.

Harriman, Edward H., 302.

Hay, John, 283; Open Door Policy of, 283-287.

Hides and skins: American imports from China of, 64, 193-195; Chinese production of, 194; share in the total trade, 98.

Hongkong: allowance for transshipment trade through, 31, 87-91; American trade with, during 1861-1895, 31-32; during 1896-1913, 48; during 1914-1922, estimated, 74-76, 90-91; difficulty of estimating trade through, 76-78, 87-91; imports and exports of, 77, 84.

Huai River, the, 304-305.

Hukuang Railway Loan, 308.

Human hair, 186-189; dyeing of, 188.

## I

Imports from China, see American imports from China.

India: cotton exports to China, of, 222-223; tea of, 133; see *British India*.

Industrial development in China, 248-250; the control by European capital of, 56.

Industrial machinery and equipment, 248-265; China's imports of, 251; China's needs for, 249. Influences leading to American commerce with China, 5.

International Banking Corporation of New York, 324, 326.

International Exposition at St. Louis, 1904, 149.

International financing of China, 307-317.

International Silk Expositions, the first and the second, 161.

Iron and steel, machinery, exported to China, 61, 109; 250-251; method of financing the sale of, 254.

Iron and steel, other products of, 254-258; American share in China's imports of, 255; future prospects of the trade, 257; industry in China, 258; trade affected by the European War, 256.

Italy, share in American silk imports of, 151-152.

## J

Japan: as a member in the Banking consortium, 313-317; American trade with, during 1913-1922, 84; as an investor in China, 299; competition in China of, 53; 86-94; competing in cotton goods, 53, 210, 213-215; competing in machinery, 252; competing in raw cotton, 222; competing in silk trade, 30, 147-149; competing in tea trade, 30, 126; competing in vegetable oils, 166; competing in wood or lumber trade, 246-247; co-operation proposed with America, 312; early American trade with, 30; handicapped in competition, 94; number of residents of, in China, 93; number of firms of, in China, 92; share of, in American silk trade, 151-152; share of, in American tea trade, 126; share

of, in China's foreign trade, 85.

Japanese Leased Territory, American trade with, 73-74.

Japanese teas: early imports into America, 126; government help to the industry and culture of, 131; improvement in the manufacture of, 130-131.

Java, tea trade of, with America, 134; the tea industry of, 134.

Jay, John, 7.

## K

Kerosene oil, 225-234; see mineral oils.

Kiying, the imperial commissioner, 271.

Knox, 303, 308.

Korea, as a source of raw tobacco, 238; as a source of wood, 246, 247.

Kuhn, Loeb and Company, 304.

Kwantung, American trade with, 73-74.

## L

Lace, 103, 175-178; American imports of, from China, 177.

Lace industry in China, 176.

Land grabbing policy of Parker, 275.

Lansing-Ishii Agreement, 288-289.

Leather manufactures, exported to China, 109.

Lin, the Chinese commissioner at Canton, 17.

Lubricating oil, 235.

Lumber, see Wood.

Lumber business in China, the future of, 246.

## M

Machinery and equipment, industrial, see Industrial machinery and equipment.

Machinery, electrical, 110, 258-262.

Machinery, iron and steel, exported to China, 61, 109, 252-258; China as a market for, 248.



Manchuria, as a market for cotton goods, 209.  
 Manchuria Railway schemes, 302-303.  
 Manufactured silks, 143-144; reason for the decline of trade in, 144-145.  
 Marconi Wireless Telephone and Telegraph Corporation, 307.  
 Melane, Robert M., 274.  
 Metals, exported to China, 109.  
 Mineral oils, China as a market for, 225-227; exported to China, 53, 108, 227-235; prices of, 232-233; fuel and gas, 234-235; lubricating, 234-235; gasoline, 234-235.  
 Mineral oil trade, 1870-1914, 225; a setback in, 226; changes in, 227; America met competition in, 228-232; price controlling the Chinese market for, 232.  
 Mitsui Company, 306.  
 Morgan and Company, J. P., 304.  
 Most favored-nation policy, 271-273; clause, 272; guaranteed by the treaty of Tientsin, 276; provided in treaty of 1880, 280; 1903, 281; re-affirmed by Hay's Open Door Policy, 283-287.  
 Most favored nation principle, the, 45.  
 Motor vehicles, 262-265; China as a market, 262-263; American exports of, to China, 264-265; China's total imports of, 265.

**N**

Nankeen, imported from China, 8, 16, 18.  
 Nanking, the Treaty of, see Treaty of Nanking, the.  
 Nanyang Brothers Tobacco Company, the, 242.  
 Naphthas, 235.  
 Napoleonic wars, the effect of the, 11.  
 National City Bank of New York, 304.  
 National Currency Bureau of China, the, 305.

New International Banking Consortium, the, 313-317; the purpose of, 315; government support to, 315; duration of, 316; failure of, 316; criticism of, 316-317.  
 Non-treaty intercourse, the period, 3.

**O**

Oils, mineral, see Mineral oils.  
 Oils, vegetable, see Vegetable oils.  
 Open Door Policy, the, 46, 283-287; the genesis of, 283; reason of the declaration of, 284-285; Hay's note declaring, 285; immediate result of the declaration of, 287; re-affirmed by the Root-Takahira Declaration, 287; re-affirmed by the Lansing-Ishii Agreement, 288; re-affirmed by the Washington Conference, 289; defined, 290-291; four principles of, 290; in relation to the International Banking Consortium, 315.  
 Opium, imported into China by Americans, 17; imported from China, 64.  
 Opium trouble, the, 3.  
 Opium War, the, 18.  
 Oregon pine, 244, 246.

**P**

Pacific Export Lumber Company, 244.  
 Pauling and Company, 304.  
 Paper products, exported to China, 111.  
 Parker, Peter, appointed commissioner to China, 274; land grabbing policy of, 275; messages to U. S. State Department, 275.  
 Peanut oil, 173-174; American imports of, 174.  
 Perry, the American commodore, 275.  
 Petroleum fields in China, 306; financing the operation of, 306.  
 Petroleum oil trade, Russian competition in, 54; Dutch East Indian competition in, 54; exports to China, 53, 108.

**R**

Railway financing, 301-304; Canton-Hankow concession, 301-302; Manchurian schemes, Chinese Eastern Line, 302; Chin Chow Aigun Line, 303, 304; Hukuang Loan, 308.  
 Railways in China, principles provided in the Washington Conference, 291.  
 Raw cotton, 219-224; Chinese production of, 219; Chinese consumption of, 220; sources of Chinese imports of, 221; American exports of, to China, 222; future prospects of trade in, 223-224.  
 Raw tobacco, China's imports of, 236-237; American exports to China, 237; future prospects of trade in, 242-243.  
 Reed, William B., 276.  
 Reorganization Loan, 310.  
 River Conservancy, the financing of, 304-305.  
 Root, Elihu, 288.  
 Root-Takahira Declaration, 287-288.  
 Royal Dutch Petroleum Company, 231.  
 Russell and Company, 35; 244.  
 Russia, residents of, in China, 92; number of firms in China, 93; as a source of raw tobacco for China, 238; as a source of wood for China, 247.  
 Russian mineral oil in China, 228-31.  
 Russo-Japanese War, the, 4; affecting the demand for cotton goods in Manchuria, 209.

**S**

Sandal-wood trade, 10, 11.  
 Sealskin trade, the, 10-11.  
 Sericulture, the recent development in China, 156-159.  
 Shantung, 288, 305.  
 Shaw, Samuel, 6, 7.  
 Shaw's Journal, 6.  
 Shaw's voyages to China, 6, 7.  
 Siberia, as a source of wood for China, 247.  
 Silks, 8; Chinese vs. Japanese, 154-159.

Silk Association of America, 159, 160.  
 Silk conditioning, in Japan, 148; in China, 159.  
 Silk consumer in America, 160-161.  
 Silk expositions, 149, 161.  
 Silk industry in Europe, 144; in America, 145; in France, 144.  
 Silk market, American vs. European, 154.  
 Silk mission to the Orient, 160.  
 Silk producers in China, 147, 149, 159-161.  
 Silk trade during 1820-1842, 18; 1861-94, 41; 1895-1913, 63; 1914-1922, 105; compared with tea trade, 141; China's early trade with America, 142; decline of trade in manufactured silks, 143-144; reasons for the decline of, 144-145; expansion of raw, 144; relative defeat in, 149-51; Japanese competition in, 147-149; future prospect, 158 et cetera.  
 Silk waste, 161-163.  
 Silver, depreciation of, 36; appreciation of, 72; situation after 1914, 116-120; causes of the rise of price of, 116; heavy exports of, to China, 117-118; effect of high price on trade, 118.  
 Sino-American Treaty of 1844, 19, 25; of 1880, 37.  
 Sino-Japanese War, the, 4; as a dividing line, 44.  
 Skins and hides, see Hides and skins.  
 South America, as a field of investment, 298, 299, 321.  
 South Manchurian Railway, 53, 303.  
 Soya bean, 170.  
 Soya bean oil, 169-171; British exports to America, 170.  
 Specie shipments to China, the early period, 9; during 1805-1826, 14-16; 1845-1860, 20, 29; 1861-1894, 41-43; 1895-1913, 68, 70.  
 "Spheres of Influence" in China, the, 4, 291, 307.



Spices, 8.  
 Standard Oil Company of New York, 225, 231, 233; oil financing, 306.  
 Steel and iron, see Iron and steel.  
 Steel, exported to China, 16.  
 Straw braids, 102.  
 Sugar, 8.  
 Sumatra, 230; competition in mineral oil trade in China, 231.

## T

Taiping Rebellion, the, 20, 21; as an opportunity for treaty revision, 274.  
 Takahira, Baron, 287.  
 Tariff, act of 1857, 24; act of 1909, of 1913, of 1921, and of 1922, 168-169, 193; American, in relation to manufactured silks, 144; Chinese conventional, 24-25; duties provided by the treaty of 1903, 281; duties provided by the supplementary treaty of 1920, 282; early American tariff provisions, 8; effect on trade since 1844, 20; lowering of American, 24; on tea, 8, 24; on silk, 24; on wool and woolens, 24; system after, 1862, 34.  
 Tea adulteration of, 135; carried by American shipping to Europe, 23, 124; Chinese, good quality of, 138; heavy export duties on, 136; reduction of export duties on, 140; re-export from America, 10, 124.  
 Tea cultivation, Chinese methods of, 135; Japanese methods of, 131; Indian methods of, 132.  
 Tea trade, 5, 6, 8, 10, 13; British East Indies competition in, 132-133; decline of, 129-140; during 1812-1840, 17-18; 1840-1860, 29; 1861-1894, 41, 128; 1895-1913, 64, 128, 130; 1914-1922, 104-105, 129; early history of, 123-126; Japanese competition in, 126-127, 129-132; lack of advertising in, 137-139; relation to American independence, 123.

Temporary trade expansion, the period of, 1845-60, 21.  
 Terranova affair, 13-14.  
 Texas Oil Company, 225.  
 Textile machinery, 252.  
 Tientsin, the treaty of, see Treaty of Tientsin.  
 Tientsin-Pukow Railway, the, 308.  
 Tobacco, China as a market for, 236-237; bearing on Chinese imports of, 242; exported to China, 109, 237-243; imported from China, 104; industry in China, 240-243; raw, see Raw tobacco.  
 Trade Balance, see Balance of trade.  
 Treaty of 1880, 37, 39; of 1868, 39.  
 Treaty of Nanking, the, 3, 25.  
 Treaty of Tientsin, the, 276-277; provision of, 277; result of, 277.  
 Treaty of Shimmonosiki, 45.  
 Treaty of Whanghia, the, 3, 25; provisions of, 271-273.  
 Treaty revision, American attempts at, 273; in 1880, 279; in 1903, 280-282; in 1920, 282.

## U

United States, the, see American.  
 United States Exclusion Acts, 37, 40.  
 United States Testing Company, the, 159.

## V

Vegetable oils, share in the total trade, 98; wide utilization in America, 164; American production of, 165. American consumption of, 165; American imports of, 165; 167; Soya bean oil, 169; Chinese nut oil or wood oil, 170-171; peanut oil, 173-174; cotton seed oil, 174.  
 Vegetable oil trade, in hands of Japanese merchants, 166; distribution of American imports, 167; Chinese losing

position in, 167-168; affected by the American tariff acts of 1921 and 1922, 168.

## W

Washington Conference, 289-291.  
 War of 1812, 3, 12.  
 Waste silk, 161-163.  
 Whampao, 6.  
 Whanghia, the treaty of, see Treaty of Whanghia.  
 Wheat flour, 108.  
 Wilson, Woodrow, 311.

Wireless stations, contract for erection of, 306.  
 Wood exported to China, 62, 244-247; boards, planks and scantlings, 245; manufactures, 245; future prospects, 246.  
 Wood oil, 166, 171.  
 Wool, American production, consumption and imports, 179; imports from China, during 1895-1913, 65, 179; during 1914-1922, 105, 179, 181-185; manufactures of, 185; production in China of, 183-184.